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STANDING COMMITTEE ON GOVERNMENT AGENCIES

ORGANIZATION

WEDNESDAY, MAY 7, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Substitution:

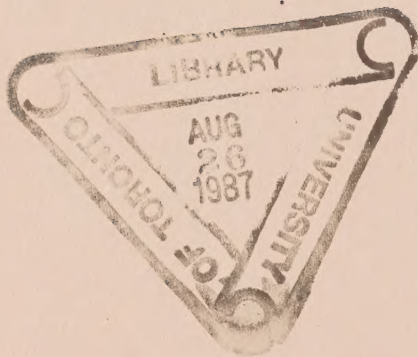
Smith, D. W. (Lambton L) for Mr. Sargent

Clerk pro tem: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service



LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, May 7, 1986

The committee met at 10:08 a.m. in room 228.

ORGANIZATION

Clerk pro tem: Honourable members, I would like to call for nominations for chairman of the standing committee on government agencies.

Mr. Lane: It gives me pleasure to nominate Bud Gregory for chairman of this committee.

Clerk pro tem: All those in favour of the nomination. Carried. I declare Mr. Gregory elected chairman.

Mr. Chairman: It was a tough fight. All my elections should-be that big.

Mr. Epp: I can promise you they will not be.

Mr. Chairman: Do you mean you are going to oppose me this time? Thank you very much for that resounding victory. It was a hard-fought campaign. I am sure it will be downhill from now on.

The next order of business is the election of a vice-chairman. Can we have nominations for the position of vice-chairman?

Mr. Epp: I nominate John Lane.

Mr. Chairman: All in favour of the nomination. Carried. Congratulations, Mr. Lane.

Mr. Lane: Thank you very much.

Mr. Chairman: You look after all the vice on this committee. There promises to be some.

Mr. Lane: That I understand.

Mr. Chairman: On the agenda in front of you, there are two more items. One is the engagement of research staff and the other is a discussion of the committee's work.

John Eichmanis served as research director for the standing committee on procedural affairs and agencies, boards and commissions. It is a recommendation that we ask Mr. Eichmanis to continue as research director of this committee.

Mr. Epp: That is a good suggestion, Mr. Chairman.

Mr. Lane: I agree with that.

Mr. Chairman: All agreed? Carried.

Mr. Epp: It gives him something to do to stay out of trouble.

Mr. Chairman: Right.

Mr. Eichmanis: Mr. Chairman, may I also introduce to the committee Patrick Malcolmson, who will be my assistant in the work of the committee.

Mr. Chairman: Welcome, Mr. Malcolmson.

We should have some discussion, which should not take too long, of the committee's work and the resulting budget for the committee. I would like Mr. Arnott to outline what the mandate of the committee is so that we know where we are going.

Clerk pro tem: I have circulated a memo to members of the committee. It indicates that this committee carries on the work of its two predecessor committees--the standing committee on procedural affairs and the standing committee on procedural affairs and agencies, boards and commissions. Those committees were to review the operation of agencies, boards and commissions and certain corporations with a view to reducing possible redundancy and overlapping. I have given a list in appendix A of the agencies reviewed by those two committees over the course of their 11 reports. Shortly, I will hand out copies of the last report of that committee so that you can see the type of work that was done and, again, the agencies that were reviewed.

This committee retains that responsibility for looking at reducing possible redundancy and overlapping. It is also given additional mandates. It is to consider improving accountability of agencies, rationalizing the functions of the agencies, identifying those agencies or parts of agencies which could be subject to sunset provisions and revising the mandates and roles of agencies.

The government agencies to be examined by the committee are defined as "all agencies, boards and commissions to which the Lieutenant Governor in Council makes some or all of the appointments and all corporations to which the crown in right of Ontario is a majority shareholder." The committee has two binders containing all of the appointments to such agencies and the listing of all agencies. Those binders will be printed and delivered to you soon. They will be updated periodically as we receive updates. I understand that the research officer will also have a shorter list for distribution today of the agencies.

Under procedures, I would like to outline the operations followed by the predecessor committee. In the committee on procedural affairs and agencies, boards and commissions, the committee would direct the clerk of the committee, together with the committee research officer, to prepare, after consultation with members, a short list of 10 to 15 agencies for possible review. The committee would select several agencies from the list or, in some cases, add other selections of its own. The clerk of the committee would advise the following of the committee's intention to review: the minister responsible for the agency, the chairman of the agency involved and any client groups served by the agency. Letters to the minister and the chairman would include a questionnaire to be completed and returned. That questionnaire was often vital for the background work that the research officer of the committee would prepare for you.

The research officer would prepare a briefing report for the committee, following his meetings with representatives of the agencies and possibly with

client groups, and after review of the questionnaire information and other background information received. A copy of the briefing report was sent to the chairman of the agency for his review and comment to make sure that everything was correct and up to date.

The clerk of the committee would distribute binders containing the briefing report and all background material to members of the committee as much in advance of the hearings as possible. The committee held its public hearings to review the agencies selected, often including a visit to the headquarters or tour of the operations of the particular agency. In exceptional cases, the committee would hear testimony from some of the client groups served by the agency, although that was not normal practice in the past.

Finally, the committee would meet in camera to draft its observations and recommendations on each agency.

After its long sloggng through the review of 10 agencies last year, I understand the standing committee on procedural affairs and agencies, boards and commissions decided that it would be preferable to do in-depth reviews of fewer agencies, spending perhaps two to three days on each where warranted, rather than briefer meetings with many agencies reviewed, giving only half a day to each.

Finally, I have suggested a possible calendar for the committee to consider for approaching its work. Under this, we would be looking at spending the summer recess on comprehensive hearings of a group of agencies and the fall session drafting and reviewing the report and recommendations and perhaps having limited hearings. One agency could be considered over one, two, or three of these morning meetings. In the winter recess, we would be looking at comprehensive hearings and in the spring session drafting and review of the report and limited hearings.

If the committee did wish to review groups of agencies at one time during the summer recess and during the winter recess, it would be advisable to allow sufficient lead time for notice to be distributed, all responses to be received from the agencies and the ministry and for essential preparatory work to be done by the research staff. On that, I suspect the research officer would like to comment.

Mr. Eichmanis: I think the clerk has outlined accurately and succinctly what the previous committee on procedural affairs and agencies, boards and commissions has done to date and some of the problems that it encountered in doing too many agencies at one time. I think there was a sense that justice was not done to the agency by having too many done at one time. I think we had at one time 10 on the go. Usually, it takes the research staff several months, sometimes up to four months, to do the preparatory work. Doing 10 in four months created a great deal of confusion and work that I do not think was as good as it could have been. I think the agencies may have felt somewhat lightly gone over as well.

More important, the members felt they did not have a long enough time to spend on a given agency to find out exactly what was going on in that agency. As a result, in the last discussion that the previous committee had on the subject, it felt it should perhaps do no more than four or five at a given time, thus allowing for greater research time to be put into preparing background material.

10:20 a.m.

I should point out that, in doing the review from the staff side, the work involved looking at the legislation, the regulations, orders in council, Hansard, newspaper clippings on a given agency, secondary literature and annual reports. A great deal of material is digested and concisely put together in a package for the members.

In addition, research staff usually make a preliminary interview of the agency head for informational purposes to make sure the research staff has the correct facts and the general line of the analysis is correct, so that the background research is as accurate as it can possibly be when the committee does go into a hearing.

The previous committee, in addition to requiring that the research staff did sort of an objective analysis, just descriptive, of how an agency works, asked that research staff indicate broad outlines of what could conceivably be problem areas with an agency. This is not investigative journalism or digging out all sorts of terrible things that the agency could be up to. It is more along policy lines, operational lines.

It deals, for example, with administrative tribunals, whether the procedures are correct. It deals with matters such as whether the memorandum of understanding is being complied with or adhered to by the agency. Those sort of matters are raised by the research staff as a way of preparing for the hearings. Of course, since it is a fairly short kind of background paper, research staff are not capable of covering all aspects of a given agency, but the idea is to provide enough information as possible so that members of the committee can take leads and can continue those leads in the hearings. Members may wish to take different directions on a given agency.

I think it would be useful, and this was certainly the comment of the predecessor committee, instead of taking an afternoon or a whole day even with an agency, there would be a preliminary kind of look at an agency and members of the committee would indicate the kind of areas the research staff would like to pursue more carefully or more comprehensively. With the committee being able to sit every week, if we do come to an agency that members are particularly interested in, I do not see why several weeks cannot be devoted to analysis and review of that particular agency, which the former committee could not do.

From the standpoint of the research staff, it would be useful if the committee were to allow for this lead time so that we could prepare background reports for the committee. The calendar the clerk has prepared seems a reasonable one to me, although again it is however the committee wishes to conduct its business.

Mr. Chairman: Are you suggesting that we would not actually begin the examination of any committees until the summer recess?

Mr. Eichmanis: That is probably the easiest for us. That is from our point of view. That would be easier because we are now in May and it would take us several months to send out the questionnaires, get those back, review all the literature indicated we have to review and then make a report. It is a fairly involved process on the staff side.

Mr. Mancini: Before the standing committee on procedural affairs, and agencies, boards and commissions was split, it had made a decision to review several agencies. The list of agencies we had previously reviewed was placed before us and there was a second list which recommended a number of new agencies for us to review. From that second list, for whatever reasons at the time, we chose a number of agencies. I would like the clerk to see whether he could find that list that we had agreed to review at the time, and see whether this new committee would agree to review that list, because it did make sense at the time for the committee to choose those agencies.

Mr. Leluk: Were they prioritized for any particular reason?

Mr. Mancini: Yes. One was prioritized for agriculture and one for labour relations, for those reasons.

Mr. Leluk: However, circumstances may have changed. We would like to see the list. There may be a reason to pursue some other agencies before we do some of those. I would like to see the list.

Ms. E. J. Smith: I have two questions. It has already been said that we should know both what they were doing and why they were doing it. These are more general questions. I appreciate that I have no background in this as compared with the old committee.

Do the chairmen generally appear at these reviews? I note in the procedure that is put out here that the report will be sent to the chairman and he will review it. I assume his comments would come to us along with the report itself.

Mr. Eichmanis: That is correct. The report is the one that the research staff prepares. After I do my preliminary interview with the head of the agency, I make sure that everything is correct. Then I send it to the head of the agency to ensure that no bad information has crept into the report. The chairman or the head of the agency can indicate to me that I got my facts wrong and so on. I then alter or amend the report to reflect any incorrect information that is in it and the committee receives the corrected report.

Ms. E. J. Smith: I am just trying to get this straight in my mind. All you are allowing the chairman to do at that point is to correct the factual information. In other words, will your report include any opinions? Can he respond to or submit a second point of view?

Mr. Eichmanis: The procedural affairs committee wanted me to include a section in the report that raised problem areas, if you like, which I suppose would be opinion, which would be in effect my observations on how the agency works, not sort of just taken from the air.

Ms. E. J. Smith: I understand that. You answered my question. My question is, does the chairman also have an opportunity to respond in writing to that?

Mr. Eichmanis: The idea is that we will hold public hearings, at which time the chairman, in response to members' questions, responds to whatever is raised in the report or whatever else the members of the committee want to deal with.

Ms. E. J. Smith: Once you get into public hearings you get masses of information. It seems to me it would be useful to allow the chairman's

response to the report to be part of the report. In fairness, I think the response of the chairman, deserves more weight than all the rest of the presentations. A way to be sure that it had that would be to have both points of view in front of us from the beginning. I would like to see an opportunity for the chairman to have a response, not just to correct facts, but his response to opinions.

I am interested in any reaction to this. It is not a solid point of view yet.

Mr. Chairman: Does that pose difficulties from a time standpoint?

Mr. Eichmanis: No.

10:30 a.m.

Mr. Swart: The preparation all has to be done by research before we hold the hearings. I think it would be unrealistic to think we can hold the hearings before summer.

I am new to this committee too. I am, therefore, not familiar with past procedures, but it appears the first job that has to be done is to sort out which agencies we are going to be examining. Can I get from the researcher some indication of the time that is needed, because I suppose you always have to do some research on that too, to determine which agencies we will examine. Although we have a list of some, you will want to take another look at that because circumstances may have changed. When do you think we should be looking at recommendations of which agencies we will be examining? I ask that in the light of the fact that after we determine that, most of the work still has to be done.

Mr. Eichmanis: The procedure the former committee adopted was to look at this list which is included in that material from the Manual of Administration. That provides a complete listing of all the agencies. The previous committee in its last year looked at that complete list and individual members of the committee decided which ones they would have. It would be a matter of negotiation among the members of the committee which ones they would want. In previous years, staff prepared a short list of 10 to 15, or whatever, and the members of the committee would select the five from that short list, or add, or whatever they wanted to do. So there are the two options. Either the members of the committee look at this complete list of all the agencies and make their five choices from that list or, if you prefer, the staff can make a short list of 15 from which you could then choose your five. It is up to the committee.

Mr. Mancini: The system of response we used in the past appeared to work fairly well for the people we were reviewing, because we had the work of the researcher in front of us and my understanding is that the people coming before us also had an advance copy of John's work so they knew what all the committee members had already read and were concerned with. They would come, most of the time the chairman of the agency plus the lawyer representing the agency, maybe a couple of board members, and government appointees or other appointees would come with the chairman, so we would actually receive quite a full delegation.

My experience had been that most of them would come not only to defend whatever weak points we may have found, or John may have discovered for us, or whatever preconceived views we had of them that they may have already heard

about. They would come to defend themselves in those areas, but they would also come to tell us other things that they were doing, explain the historical nature of the agencies and some of them would also inform us of legislative changes that would have to be made so that their work could be done better. As a matter of fact, one agency came before us and said, "You should abolish us. Because of all of these other things that are happening, the work we are doing is really redundant. If this is the way it is going to be, you guys might as well recommend that we not be around."

I think we get a pretty varied view of the agency or commission we are going to review, and in some instances we would invite a limited number of people affected by the agency. For example, when we did the Ontario Racing Commission, we invited the Ontario Jockey Club and we invited the other people affected by the agency. They would come in and they would tell us, "The racing commission tells you everything is going fine, but we have concerns in this area." Then we would get a clearer picture of what exactly was going on.

We did not really have the full-scale witnesses such as we have in standing committees that are reviewing legislation, because that would nullify the work we are trying to do because we would be overcome by everyone who might want to meet with the committee and discuss the operations of the agency. What we did in the past was to try to target people that the agency affected. I thought that worked quite well, but we can certainly consider doing it differently.

Mr. Epp: I agree that it would be nice to have this report by the chairman, as the member for London South (Ms. E. J. Smith) has suggested, and that we try to bring in various groups representing agencies, boards and commissions. I think we should have as broad representation here as possible. Having sat on this committee in the past, I do not think we often had the kind of representation here to give us broad representation.

Mr. Mancini will recall one group we had here. We recommended that only one group be sunsetted during the years I was on this committee, which was about four years. I think many more groups should actually be sunsetted. That is my general feeling. I do not think a lot of them really give us the kind of service we should get for the money we expend on them. That is a general statement.

The other thing is, when we are talking about making up this list for the next week or so, I would like to see Mr. Eichmanis make up his list of 15 or so, use the list that was adopted or looked at last year, the one Mr. Mancini addressed, and then have each member also look at the 300 or so agencies, boards and commissions that we have listed to see which ones the members want to come forth with so that everybody has an opportunity to put his or her specialty or their interest in one forward, as well as getting the excellent advice of the researcher and the list from the group that composed it earlier this year.

I have one other thing before we go too far. We were discussing on an informal basis earlier, before this meeting started, another function this committee may have. This may, in some respect, determine our agenda. That is whether we are going to have the added responsibility of hearing people who are appointed heads of certain agencies, boards and commissions in this province.

If that responsibility is entrusted to this committee, that means we are going to have something to do in the next month or two or three, whenever that

may come forward. Obviously, guidelines will have to be drawn up, and as you know, Mr. Chairman, that responsibility very rightly belongs to this committee as opposed to the standing committee on the Legislative Assembly; since we will be dealing with the agencies, boards and commissions, it is only right that we would be dealing with the appointment of the people to head those agencies, boards and commissions. If you are looking for a motion or something of that nature from this committee to take to the House leaders, I would be prepared to make such a motion.

I am not trying to confuse the issue; I am just saying it is an added responsibility that we might have and, in determining our agenda for the future, it is something that we have to look at seriously.

Mr. Chairman: Thank you. I made this suggestion because it seemed totally logical to me. If we are going to be looking at agencies, boards and commissions, it seems only logical that the personnel on those boards should be handled by this committee. It seems we are missing something if we have one function on this committee and the other function on the other committee. I would appreciate that motion, Mr. Epp, if you would care to make it.

Mr. Epp: If it is timely, I have not written it out, but if you want to give me just a minute I will put my head together with that of Mr. Eichmanis, who is very familiar with this, and we will draft a motion and I will introduce it in a few minutes, if I may.

Mr. Chairman: Okay. I have a list--

Mr. Mancini: I want to speak directly to that.

Mr. Chairman: Directly to that point?

Mr. Mancini: Directly.

Mr. Chairman: Is that okay? You agree, Ms. Smith? You are next on the list.

Ms. E. J. Smith: I will bide my time.

Mr. Mancini: Would it be somewhat more courteous to have some communication with the standing committee on the Legislative Assembly first, telling it these are our intentions instead of just going ahead and doing it? It does not matter to me personally. I serve on both committees and I am sure there is going to be crossover; as time goes on, people are going to be switched from one committee to another. I do not think it matters, but it may be somewhat more courteous to tell the Legislative Assembly committee that we believe this is our function and that we intend to pass the motion and forward this motion to the House leaders as a matter of courtesy.

Mr. Chairman: I do not think, Remo, the intent of the motion was to go to the Legislative Assembly. I think it was a recommendation to the House leaders, as I understand it. It has nothing to do with the Legislative Assembly.

Mr. Mancini: I am saying we should inform the standing committee on the Legislative Assembly that we intend to do this.

10:40 a.m.

Ms. E. J. Smith: We are a new committee and the mandate that was with one committee is now this committee's. Maybe it is just a case of clarification. If it is a case of clarification, I do not think we need to take it back to the other committee. What was done needs to be clarified. If that develops into a problem, then we need to go back to the other committee. But if I understand Mr. Epp, this is something the House leaders probably envisioned, that the whole bag would come here rather than a piece of it.

Mr. Chairman: Ms. Smith, you have been to the House leaders' meetings more so than I have. I understand that they are wrestling with it and there is no unanimity on it.

Ms. E. J. Smith: I do not think this has been discussed. It would have been taken for granted.

Mr. Chairman: Ms. Smith, could you speak into the microphone? Apparently we are missing everything you say and I would not want to do that.

Ms. E. J. Smith: Sorry about that. I believe the House leaders have tended to turn the details of this over to the whips who have discussed it at various meetings. I am just wearing another cap. I do not think it has been discussed. Perhaps we should ask for clarification rather than send it back to another committee.

In creating this committee, it was probably the intention that all activities related to this committee come to the new committee. It might be better clarified at the House leaders' level than sent to the other committee.

Mr. Chairman: All I wanted was that our intentions be known to the House leaders.

Ms. E. J. Smith: I think they are.

Mr. Chairman: That is really what Mr. Epp is concerned about.

Ms. E. J. Smith: I am supporting the motion. I think it would be more timely at this point to send it directly to the House leaders than back to the other committee, which probably will not know either what our intention was.

Mr. Epp: I am prepared to go either way. The whip and yourself can take it to the House leaders and say it was the consensus of this committee. I hear no opposition to it, including Mr. Mancini, who said he serves on both committees.

Mr. Mancini: Let us tell Mike Breaugh so that he can inform his committee. Tell him these are our formal intentions. That way, he is not sitting somewhere and somebody hands him a sheet of paper saying this committee passed a resolution that sets up X, Y and Z.

Ms. E. J. Smith: We should ask for clarification.

Mr. Mancini: It is expedient for the clerk to give Smirle Forsyth a phone call so he can inform Mr. Breaugh that this is going to be done.

Mr. Chairman: There is no reason he cannot do that.

Mr. Epp: Exactly. I am saying we can go either way. We are the

proper people to take it back and say: "Look. It is the consensus of this committee that this particular responsibility--namely, the appointment of heads of agencies, boards and commissions--should be dealt with before this committee." We can either do it in the form of a motion or by consensus. Since there is a consensus here, they can take it back without alienating any particular party in the Legislature.

Mr. Lane: I want to add to what Mr. Mancini and Mr. Epp said earlier. I am supportive of what was said. I think our researcher should meet and discuss the agency, board or commission with the chairman of that particular board and see what the plan was of the chairman and the board members to conduct their work in the future.

The status quo should probably be changed in some cases. I hope we would not just sit here looking at the status quo and say, "Yes, they should or should not exist." They should have an opportunity to tell us how they could do a better job than they are doing and why we should look at new work for them. I hope it would be a little broader than just the status quo."

As far as the motion goes, it can go either way as long as there is a consensus and the message gets out that we think this is our work. This is what we are here for. We are a new board. I think this is what was intended. We should clarify it.

Mr. Grande: I have one question for the mover of the motion. What is the rationale for talking about only the heads of the ABCs and not the membership of that agency or board; in other words, the other members who are appointed to the agency? What is the reason?

Mr. Epp: I was not trying to limit it. As I understand it, the mandate is with respect primarily to the appointment of the chairmen of those. It may very well be that the mandate is for the appointment of everybody to a particular agency, board or commission. If that is the mandate, I am prepared to go along with it. I think that is a better mandate. I have no argument with it. It is just a matter of clarification more than philosophical bent or direction.

Mr. Chairman: Mr. Nixon's statement in the House referred to "order in council appointments." That covers chairmen of committees and members.

Mr. Mancini: What does it say?

Mr. Chairman: It says: "This public document includes the names of every member of the hundreds of ABCs currently reporting to the government. All appointees listed in the two volumes are at present serving or are the last serving appointees to these positions. Original and expiry dates of the appointments, as well as salaries and per diem rates, are given in the listing. Order-in-council appointments dealing with part-time positions and per diem rates are posted outside the executive council office...."

That is the general description of what we are talking about. It is order-in-council appointments as opposed to just chairmen. I think that is understood.

Mr. Mancini: I am sorry, Herb; I missed your point when you were talking about the chairman.

Mr. Epp: I originally referred only to the chairman.

Mr. Mancini: To do what, though?

Mr. Epp: We are supposed to deal with the appointments.

Mr. Mancini: I do not think so.

Mr. Epp: Just the chairmen. I am not sure. We are going to have to get a clarification.

Mr. Mancini: May I say one thing here? It was never the mandate of the previous committee to decide whether a person should have been appointed as chairman or to an agency.

Mr. Leluk: This would be a new role, as we understand it.

Mr. Mancini: Yes.

Mr. Chairman: I do not interpret this to say we interfere with who is going to be chairman. What we are talking about is that we interview all appointments by order in council, whether they are appointed as chairmen or as members.

Mr. Mancini: I do not think it says that either.

Mr. Chairman: That is what it says.

Mr. Epp: What does it say again? Read it aloud.

Interjection.

Mr. Mancini: No. The report has not been accepted yet. The old committee did a draft report, but it has not been accepted yet.

Mr. Leluk: Mr. Chairman, what are you reading from?

Mr. Chairman: This is a statement--

Mr. Grande: Do we have it in the packet that was given to us?

Mr. Chairman: Yes. The statement I am referring to is one that was made by Mr. Nixon. He is referring to the new position of the government in regard to order-in-council appointments. I understand there is going to be a committee that will have responsibility for reviewing these orders in council.

Mr. Mancini: It has not been approved or accepted yet.

Mr. Chairman: I realize that. It is going on at the present time with the House leaders. We are at the very beginning. I guess what we are saying here is that if this is to be done, and I am under the impression it should be, this committee is of the feeling that this is the committee that should do it, whatever the terms of reference are.

Mr. Mancini: We are giving ourselves terms of reference for something we think may happen.

Mr. Chairman: I am not trying to make it difficult for you. Please do not make it difficult for me. I am just trying to clarify something.

Mr. Eichmanis: I happen to be the researcher for the standing committee on the Legislative Assembly, which has a previous mandate to look at the question of order-in-council appointments in the public sector. That committee is in the process of finalizing its report on public appointments; it will make recommendations to the House and the government on how those appointments should be made.

The question of which committee will ultimately review the appointments is different, I understand, from the question of the recommendations about those public appointments. I am not sure whether Mr. Epp is talking about the report that the Legislative Assembly committee has before it to deal with the recommendations for the public appointments process or whether we are talking about, once that report is adopted, this committee and other committees then having the right or the power to review the order-in-council appointments. I am not sure which issue the committee is dealing with. Perhaps that should be clarified.

Mr. Epp: I am not familiar with that report. I was not aware that the other committee was dealing with it. I was more in tune with the general philosophical bent of the review of the appointments themselves, which is something Mr. Nixon addressed here and which has been talked about in the Legislature. It was that review that I was addressing rather than the report you have alluded to.

10:50 a.m.

Mr. Eichmanis: My understanding is that the question of which committee will ultimately review the appointments will probably be a matter for the House leaders to decide as and when those appointments are made. They will then make the decision as to which committee that individual appointment will go to. That is my understanding to date; that may change, of course.

Mr. Epp: I was never suggesting that this committee make appointments or things of that nature. It was the review of those appointments that concerned me. It is something we have talked about as having to go to one committee. If it had to go to one committee, either the Legislative Assembly committee or the standing committee on government agencies, I felt it was more appropriate coming to this committee.

Mr. D. W. Smith: I would like to make a short comment on what Mr. Nixon said and the way I would interpret that.

Over the past number of years, a lot of people did not even know what boards or agencies existed. I think that is the thing we are trying to open up and to let everybody be aware of the possible openings. But I think it is up to the House leaders or the whips to decide which committee looks into appointing those people to a certain board or agency. That is the way I read it. However, I am new here; so I am just listening as well.

Ms. E. J. Smith: It seems to me that what we need before we get very confused here is clarification from the House leaders on what was the intention in setting up this committee. My guess would be that the intention was to take a certain portion of what was in one committee and move it to another committee. What we do from there on, once we have clarified that, and what we recommend will be something for our future agendas. The first thing we have to clarify is what was the intention in creating this committee. For us to start right off by grabbing at what we think should be done in the future, without finding out what our mandate is, is extremely confusing.

Mr. Chairman: We seem to be getting tangled up here. The original intent, as I read Mr. Epp's comments, and certainly I shared them, was that if a review of appointments were to be done, it seemed obvious that it should be done by the committee that is dealing with those very boards and commissions. It is simple as that. I am not trying to grab new powers for the members, whichever party they are with or whichever committee they are on. I am saying that if those powers are going to be there, then this committee should do it. It is as simple as that.

Ms. E. J. Smith: I agree with that.

Mr. Epp: That is my point. That is it, short and simple.

Mr. Swart: This has been pretty well covered, and I agree with what Mr. Epp has said and what you have said, Mr. Chairman. It just seems to me, though, that until we get that ruling, we do not have any mandate to review the appointments per se. As I read over this mandate, it appears to me that we are reviewing the functioning of the committees, and I think we have to stick with that until we get a further mandate. I agree with the chairman that this committee should have the mandate to review the appointments. We do not have that yet, however. I presume that if there the consensus, and I think there is, the chairman will convey to the House leaders that we feel this is the committee that should have that mandate.

Mr. Chairman: That was all we were asking for. It was not a case of recommending to the Legislative Assembly or to anybody else other than the House leaders that this was the feeling of this committee. We can do that even without a motion.

Mr. Swart: I want to pursue another point, if I may, or do you have somebody else on line?

Mr. Chairman: No. I think we have just about exhausted that one.

Mr. Swart: Having not been on this committee before, I would like to have somebody explain exactly how the work of this committee comes to fruition. Is it purely through the preparation of a report with recommendations which is tabled and then adopted by the House? Is that the only route through which we can hope to make the changes?

Mr. Eichmanis: The clerk's memorandum makes it clear that there is a public hearing process.

Mr. Swart: I mean after that.

Mr. Eichmanis: As an observer of the legislative process, I can say that when members of a legislative committee make observations to a ministry or a government agency, that is one way of influencing the behaviour of that ministry or government agency. As you say, ultimately the whole process comes to fruition with the tabling of a report in the House and the scheduling of a debate on that report. In addition, the staff of the committee invite the ministers to make comments in response to the committee's recommendations.

As you will see at the back of the report, in the previous year's review, the responses of the previous recommendations are included at the back of each year's report. Ministers are made aware of the committee's recommendations and are asked to make detailed responses to those recommendations. There is a follow-up to those recommendations beyond the tabling of the report in the House and any debate that may occur in the House.

Mr. Swart: There is a report that comes back to this committee from the minister after the report and recommendations are tabled in the House or before they are tabled in the House?

Mr. Eichmanis: The clerk sends a letter to the minister asking the minister to make a response to the committee's recommendations.

Mr. Swart: Is that after it is tabled?

Mr. Eichmanis: Yes. Then those letters are sent to me. I include them in the next year's report so there is a public recognition of the minister's response.

Mr. Mancini: For example, we may suggest a legislative change of one sort or another which will be included in the report; that will go to the minister, who will formally reply as to whether he can or cannot make that legislative change, whatever that legislative change could be.

Mr. Swart: Is there no interaction between the ministry and this committee after we have made a recommendation here which may not have been tabled in the House? Is there no interaction between the parliamentary assistant or the minister so we can hear their point of view or endeavour to persuade them that this is what should be done?

Mr. Eichmanis: That has not been the practice of the previous committee except in exceptional circumstances. During public hearings, there was some confusion about something and then there was an exchange of letters because the head of an agency on one occasion did not appear. A letter had to be sent to the minister to inquire why the invitation was turned down by the head of the agency. That was an exceptional circumstance. There has not been a tradition of ongoing communication between the committee and the minister prior to the tabling of the report in the House.

Mr. Swart: It seems to me there would be some merit in having at least a parliamentary assistant, somebody at the political level associated with that ministry, who might be here at least for the time when the discussion takes place on any particular agency, although we will not be discussing that many if we are going to take two or three days on each one. I am inclined to think it should be in depth.

If we are expecting that some action be taken on our recommendations, and in most instances our recommendations in this committee will not be highly partisan, there is merit in at least a parliamentary assistant or somebody who is going to have a hand in making the decision hearing the discussion that takes place surrounding a particular recommendation. I realize it may not be possible because of time restraints and that sort of thing, but if we are serious about this, I think there would be some merit in having a parliamentary assistant here.

11 a.m.

Mr. Eichmanis: Over the years, various ministries have sent reasonably senior people to monitor the discussions of the committee on a particular agency that falls within a ministry's portfolio. There is usually somebody who comes along and sits at the back taking notes and making sure the ministry is made aware of the concerns of the members of the committee.

Mr. Swart: That is not totally satisfactory to me. Generally speaking, senior staff have a vested interest in what actually exists at any

given time. That is not always the case, but it is often the case. I am thinking of someone at the political level. I realize we have members here from the government party; they have a parliamentary assistant. I also know that many of them may not have any expertise, as I have no expertise, in many of these areas. If we had a parliamentary assistant, there would be some very real value, at least while we were discussing the recommendations.

Ms. E. J. Smith: Mr. Swart and I are both expressing the same concern in a different way. I would like to address both what I originally suggested and what he is addressing now.

The fact that this new committee has been created anticipates more action. That is the reason for highlighting the need and setting up this committee. With those two levels in mind, addressing your concern, I would say that this committee, as is done in other committees, should make it known when it feels it needs a parliamentary assistant here and should make sure he is here, either by the whips putting him on the committee as a substitute, as we have sometimes done on the standing committee on social development, or by asking him to participate. The ministry has lots of opportunity to be present, and we have lots of opportunity to get them on an ongoing basis. As long as we are aware of the need, I do not see that as a major problem.

If we are going to be a more action-oriented committee, I do see a real need, as I expressed at the beginning, to make sure the chairman feels he had a fair hearing from the beginning. Otherwise, we will get a backfire that he was just one of a million people and did not get a fair hearing. I would like to go back to what I said at the beginning. This is nonpartisan, and Mr. Mancini seemed to feel it was not necessary, but I have to put it up for what other people may think. To me, it would be very valuable if, right from the beginning, we gave a chairman the right to present a response to us so that his point of view, along with the point of view of our research staff, is something we have looked at before we see the delegations.

If there is no problem, I would like to make that a motion. We can always change it, but I think it would guarantee the sense of having had a fair hearing for the agency we may be looking at major changes for. I would like to make that a motion.

Mr. Chairman: Could you add "where practical"? I imagine some of these agencies, boards and commissions will not have the staff to do that.

Ms. E. J. Smith: I am saying "have a right to." If they do not want to, they do not have to make a statement.

Mr. Mancini: I may have misunderstood my colleague. I think that was generally the practice.

Ms. E. J. Smith: Okay. I was just looking at the procedures here, and I was checking on that to make sure that response is available to them.

Mr. Mancini: Absolutely.

Mr. Chairman: Has that been the practice?

Mr. Eichmanis: At any time, anything I have collected is always available to the committee. For example, the questionnaire is a very simple one dealing with the latest figures. I usually do not give that to the committee, because I include it in the report. If the committee members wish

to see the actual response to the questionnaire, there is no problem with my giving that to the members of the committee. If they want, the committee members can have any piece of information I receive at any time.

Ms. E. J. Smith: My point is being missed. To go back, I want the chairman of the agency to have the right to respond to the research along with the research report. I do not care about the background information; they can both use it and make their reports. I am just saying the chairman should have the right to have his response forwarded to us along with the research documents. That is altogether different from saying, "They can if they want and we can if we want" and that sort of thing. I am saying the chairman should be aware of his right and that response should be presented along with the research from the beginning.

Mr. Chairman: That is what I meant by "where practical." We are now pushing to set up some kind of agenda for the summer.

Ms. E. J. Smith: The right is what I am pointing out.

Mr. Chairman: Yes. But if it meant that all research had to go to that chairman to review before he could offer his comments--

Ms. E. J. Smith: No. All I am saying is that we are going to get a research document from our research staff, that the chairman should have the right to attach his dissenting opinion, if there is such a thing, and that we should have that from the beginning.

Mr. Chairman: However, he would have to have the final--

Ms. E. J. Smith: He could go and look at the research if he wanted to.

Mr. Chairman: That is what I mean. He would have to have all that first.

Mr. Mancini: Please correct me if I am wrong. A research officer does a report on a particular agency. That report automatically goes to the agency involved. Then we set up a hearing date for the people and they come, already having seen the work we would probably have in our hands. They would make an oral presentation along with a written presentation, which would be distributed, saying, "We have seen your report and this is our view." It has been done.

Ms. E. J. Smith: I am just emphasizing it as something in advance of delegations so that it gives it a little more substance. The chairman has the right to be more than just a delegation. Make it a little more formal.

Mr. Eichmanis: There is no problem.

Mr. Epp: The other point is that the research that is being done, as we know, is fairly factual. This is the agency and it has so many employees. It is all very factual, A, B, C and D. Anyway, they will have a chance to respond.

Mr. Swart: Is this a motion?

Mr. Mancini: Let us just make it policy.

Mr. Chairman: Do you want to analyse it more? If there is no problem with it, why not just do it? I do not think there is any objection to it.

Mr. Leluk: How much time would we give the chairmen of these agencies, boards and commissions to reply to the research document? There is another problem. I am thinking in terms of the time factor, when those are made available.

Mr. Eichmanis: Usually the longest we have given is two weeks. Some of them are very good about responding within two weeks and in some cases, some are not.

Mr. Leluk: In terms of our own agenda and planning that agenda, we may want to have a particular chairman of a commission before us. We may not have the response. We might have to do some rescheduling. I do not know how we intend to do this.

Mr. Eichmanis: I cannot guarantee the timing of the response. We try to get it back within two weeks. There is difficulty in some cases, for example, where there is a part-time chairman and he is usually not there most of the week. The senior staff will wait until the chairman arrives for his next meeting with the board and as a result it gets delayed. You have these technical problems.

Mr. Leluk: I wonder about that delaying the work of this committee. If we want to schedule a particular agency or board for a certain day, we may not have the response.

Mr. Eichmanis: The staff could resolve that problem at our end. I do not think it is a major problem. We could resolve that by telling the senior staff people that the response is required by the committee on such-and-such a date and that it has to be here. We will resolve that at our end.

Mr. Leluk: I was merely concerned about the matter dragging on and our not getting the responses before we have the agencies here, delaying the work of the committee.

Mr. Eichmanis: That is a good point.

Mr. Swart: I want to pursue the matter of the minister or his parliamentary assistant being here a little further. I do not particularly want to do it by resolution if there is a consensus. I think the minister or his parliamentary assistant should be invited to be present at the committee when we are discussing recommendations relative to an agency, board or commission that comes under his jurisdiction.

I say that because you know, Mr. Chairman, having been here quite a while too, that often reports can sit and gather dust for a long period of time. It may not be intentional. It may be they are busy with other things. A reply coming in a year after is nice information for us but does not really deal with of the cut and thrust of opinions here.

11:10 a.m.

We can do two things. First, we can come to better decisions because they are at the political level, and second, we can have more impact on seeing that the recommendations this committee makes are implemented if we have somebody at the political level, be it the minister or the parliamentary

assistant. If there is objection to that, I would like to put it in a motion. If not and there is a consensus, I am happy to let it go at that.

Mr. Chairman: Rather than make it a general motion, in view of the variation in the types of commissions we are dealing with, would it not be better to deal with them on an individual basis as they come?

Mr. Mancini: Let us just invite them.

Mr. Swart: To be invited to attend when we are considering recommendations relative to an ABC that comes under a ministry's jurisdiction, I do not think is unreasonable. If they do not want to come--

Mr. Chairman: I am not faulting that. I am just suggesting that as we know what commissions and agencies we are going to be dealing with, it might be more practical, on an individual basis, to take a motion on that one agency as opposed to generalizing.

Mr. Swart: The principle is sound. They should be invited to come when we are dealing with an agency.

Ms. E. J. Smith: I have no problem with them being invited. If you will allow me to wear two hats at once, my heart spins at the thought that we would invite them in such a way that they are expected to attend. This happens in the justice committee. The whole work of the committee gets held up because someone cannot be there. The running of these committees is such that if we ask for extra people to be there, we may find we are held up rather than be able to proceed because we cannot man any more committees or send any more bodies around.

Mr. Swart: That is why I want them invited.

Mr. Leluk: If the minister is not available, there is his PA.

Ms. E. J. Smith: Invited is fine, but we cannot allow any committee to meet one more time because we have somebody who is busy all the time. Our PAs are part of our 24 with whom we have to man all the committees. I am just pointing out that inviting is fine, but if we expect a PA to be here throughout a hearing, we are creating a manning problem.

Mr. Leluk: We are only suggesting he be here for specific recommendations that are made, if I understand Mr. Swart.

Ms. E. J. Smith: That is fine. That almost comes down to what the chairman was saying. Let us alert them and invite them on an ad hoc basis. I do not think we will find any problem as we go on. We are going to find we agree in the practice of this. We will tell them when things are on and tell them we want them when we need them.

Mr. Swart: I will just come back on this. It seems to me that it is reasonable that the clerk of this committee notify the particular minister when we are going to be dealing with a recommendation. I would like it to be standard practice to invite him to be here.

Ms. E. J. Smith: That is no problem.

Mr. Chairman: You are not insisting he be here.

Mr. Swart: I agree with you that we cannot always hold up the work of the committee for him.

Ms. E. J. Smith: I agree with that.

Mr. Eichmanis: There is something Mr. Swart said that I should explain. It was the practice of the previous committee to send a questionnaire to the minister to answer questions about his agency. That was done for two purposes: first, to alert the minister that one of his or her agencies was being considered for review, and second, to have the minister make a response on how the minister feels the agency is doing, how it is behaving and whether it is performing usefully.

The idea is that the minister should not be caught off guard that one of his agencies is being reviewed. That questionnaire has two functions. It alerts the minister that one of his agencies is being reviewed and then the minister will, we hope, provide some background information as to how useful he thinks the agency is.

Mr. Swart: You are not suggesting this should take the place of that?

Mr. Eichmanis: No. When you mentioned that, I realized this was something else the committee does.

Mr. Epp: One other thing just struck me. I am not recommending it; I am just saying we should perhaps look at it. When looking at some of the ABCs, maybe we should look at two, three or four of them that fall under a particular ministry rather than hop, skip and jump all over the map and take one here and one there. Maybe we should look at a number of them within one ministry and look at that particular ministry at that particular time to see whether they complement each other, whether they might share responsibilities and whether we might sunset some of them.

Ms. E. J. Smith: We might do that at the next stage.

Mr. Eichmanis: That is a very useful point. It is up to the committee how it wants to do this. The advantage of doing it that way is you compare apples and apples. Sometimes you can get insights into how an agency is functioning when you have an agency similar in structure and body being reviewed right after another that is very similar. That is not always possible because sometimes some members have an interest in this one and other members have an interest in some other kind of agency. There are clear advantages to doing it that way.

Mr. Epp: It is not the same as with the Provincial Auditor, but in a sense you are inspecting a particular agency. If you look at a series of agencies within that ministry, you will have a more comprehensive picture of what is going on and will be able to give more intelligent recommendations to the minister and ministry about what should be done.

Ms. E. J. Smith: On the second point, on how we we are going to prioritize and what we are going to study, to add to that--maybe we will not get to it today but when we get to looking at what we are going to do--it seems to me that if we look at this list and discuss which we want to discuss, it is going to be the higher-profile ones. As well as listing the ones we want to look at, perhaps we ought to be making a specific effort to look at ones we might get rid of. They are going to be at the bottom end of the list rather than the top end. Then we might come at it from two ends. Otherwise, we will

never get time for the ones that hardly anyone knows what they do or why they exist. We might make a conscientious effort to look at both the most important and the least important and find out whether we need them, and do both as an objective.

Mr. Chairman: Before we get too far away from Mr. Swart's point, do I sense a consensus that ministers should be invited to attend?

Ms. E. J. Smith: Yes, I agree. I think we all do.

Mr. Epp: I think that has been dealt with.

Mr. Chairman: We are all happy with that. Any other points?

Mr. Eichmanis: Maybe we should keep to Ms. Smith's point. Would the committee prefer to go away for a week and look at this list and have each member prioritize his agencies or would you rather have the research staff go away and do its prioritizing?

Mr. Epp: Where are you suggesting we go?

Mr. Chairman: How about Minaki Lodge for a week?

Ms. E. J. Smith: We might raise an interesting point of view if we ask each ministry to send us which of these it considers the least useful.

Mr. Chairman: How about we ask them which ones they would like us to look at it and then we will do the other ones?

Ms. E. J. Smith: If we do not make a conscious effort to look at which to get rid of, we are never going to get rid of any. I think that is an important thing for us to do.

Mr. Leluk: The suggestion has been made that possibly our research staff should take a good look. I do not know whether it would be in order for them to ask the ministries to suggest, but we have a research staff here. I also think our own members of this committee should do a prioritization of agencies they feel we should be looking at.

Ms. E. J. Smith: The ones I might think should not exist are the ones I have never even heard of, so I do not know that they should not exist.

Mr. Leluk: Then we can have some discussions.

Mr. Swart: Is this not exactly why we are asking our research to bring in 10 or 15, as we did before? I presume they will have discussions with the ministries and will have research in other areas. They will recognize what has been said here today about the least beautiful one not having the high profile. Then they will bring that at the same time we come back here and say these are the ones they think should have priority. We will discuss it and the merits of each and decide which ones we want. It is two-pronged. You go back and bring in recommendations; we will go back and take a look at this and say the ones we want and then we will get here and discuss it.

Mr. Eichmanis: As a last point, if you look at the listing of what the committee has done in previous years, once you go back beyond 1983-84 or whatever, you may want to think about bringing some of those back. We did that once with the Alcoholism and Drug Addiction Research Foundation. We reviewed

it twice because we wanted to go back and look at it to see whether the recommendations the committee had made previously--some of the ones that have been reviewed some time back should not be discarded from another look, if that is agreeable to the committee.

Ms. E. J. Smith: Whatever you bring forward.

Mr. Eichmanis: I apologize for this material. For anyone who knows the kind of material I have brought before, it is usually in black binders.

Ms. E. J. Smith: It is not a criticism of this.

Mr. Chairman: We have before us an estimate for a budget. This is based on a probability of four weeks' sittings during the summer break and the winter break, probably two weeks per break. That might change. We are talking about possibly eight days of travel time.

Mr. Mancini: Can I move that we go in camera to discuss our budget? I think it is customary.

Mr. Chairman: Is that normally done?

Mr. Mancini: We have usually done it, but if it is not acceptable here, that is fine.

Mr. Epp: I know that in some committees it is done to discuss the details until there is some kind of consensus. It is to give more leeway to the people discussing it. Later on, we go on record and out of camera.

Mr. Chairman: If it is the wish of the committee that we go in camera to discuss the budget, then I have--

Mr. Epp: I have no objection to that.

Mr. Chairman: Does anybody have a problem?

Mr. Swart: What do we mean by going in camera? Does that mean turning Hansard off?

Mr. Chairman: We cut the Hansard off.

Mr. Epp: That is what it means.

Mr. Chairman: All right. We will go in camera.

The committee continued in camera at 11:22 a.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

ORGANIZATION

WEDNESDAY, MAY 14, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algona-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Substitution:

McLean, A. K. (Simcoe East PC) for Mr. Lane

Clerk pro tem: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, May 14, 1986

The committee met at 10:13 a.m. in room 151.

ORGANIZATION

Mr. Chairman: The purpose of today's meeting is to go over a recommended list of agencies, boards and commissions we are going to review this session. I understand the research staff has a selection that it will set before us.

Mr. Eichmanis: Thank you, Mr. Chairman. Perhaps we can actually go over this list with you. You can see from our memo that we have listed all the agencies on the first page. Then we go on to give a little background information on each of them individually.

The first one on the list is the Ontario Telephone Development Corp. As you can see, it has a very broad mandate to improve the telephone systems in Ontario and has various powers to achieve that aim. My understanding from the ministry people is that this agency has not done a great deal in the last few years, that it is in a sort of twilight zone.

From our discussions last week, you indicated you would be interested in knowing about those kinds of agencies. This may be one that the committee could consider for review because of the fact that it is not doing a great deal.

The next one is the Conservation Review Board, which was chosen because the committee has not for some time looked at the whole area of conservation, parks and so on. If I may say, this agency has some difficulty in the sense that there are individuals who want to do something with their homes, for example, but under the Ontario Heritage Act are unable to do so because the home or property is designated as an historical site. These folks are the one who then constitute the review panel that will decide whether it should be considered a heritage property.

Mrs. Marland: May we ask questions as we go along?

Mr. Chairman: It is probably just as well; we will forget them if we do not.

Mrs. Marland: In my opinion, I do not know the purpose of reviewing this one because I believe it is a function that is needed. I support their area of responsibility. Perhaps I need more clarification as to why we would be looking at it.

Mr. Chairman: I do not think the purpose of this committee is to approach these with the idea that they are going to cut them. It is a matter of periodic review. Obviously, this one has not been reviewed for a while. We could well review it and come to the conclusion that it is even more important than we thought it was. We might even increase the size of it.

Mrs. Marland: I see. Okay.

Mr. Eichmanis: The other information on this one is that the standing committee on the Legislative Assembly heard representations from a witness who indicated he had some problems with this agency. That was another factor in presenting this to the committee, that there may be procedural aspects or the manner in which the review board conducts its business which need to be looked at. That is another motive for putting it on the list, in addition to the fact that the committee has not looked at agencies in this area.

The third agency is the Sturgeon River, Lake Nipissing, French River Watershed Management Advisory Board. This was created in 1982 and it has an advisory mandate to make recommendations to the Minister of Natural Resources (Mr. Kerrio) on the watershed plan for that area. Again, talking to the people in the ministry, there is some movement afoot to upgrade this from a mere advisory agency to an independent board.

Mr. Chairman: We can do this one in the pickerel season, can we?

Mr. Eichmanis: That is right. I think Mr. Mancini indicated last week that he wanted to look at some agencies in northern Ontario. That one and the next one were chosen for that reason.

The other one is the Lake of the Woods Control Board, which is a somewhat anomalous agency in the sense that it is both an agency of the Ontario government and the federal government at the same time. There are complementary acts at the provincial and federal levels creating this agency.

As you can see from the brief blurb there, the appointments to the agency come from both the provincial and federal governments. The purpose of the agency is to ensure that the outflow water from Lake of the Woods is maintained at a constant level. As well, it has jurisdiction over the outflow water from Lac Seul and the flow water from the Winnipeg River.

I may add that the Manitoba government is involved in this as well because of the Winnipeg River. In fact, the appointments to this agency are two from the province of Ontario, one from the Manitoba government and one from the federal government.

10:20 a.m.

Mrs. Marland: The International Joint Commission is the one that governs the Great Lakes. Is that it?

Mr. Eichmanis: Yes. I talked to someone in the ministry, and even though there is provision for inspectors to inspect the water levels and so on, this is not now done by onsite inspections. The people in the Ministry of Natural Resources have equipment right in the lake system. Data are fed by satellite to Toronto, where lake levels are monitored offsite rather than onsite.

The next agency is the Agricultural Council of Ontario. This is an advisory agency that follows along with the Agricultural Research Institute of Ontario, which is described on the next page. Last week we discussed the possibility that the committee consider looking at agencies in the same ministry and within the same area of responsibility. On that basis, these two agencies in the agricultural field were chosen. The Agricultural Council of Ontario is an advisory agency and has a very broad mandate to advise the minister on all aspects of agriculture.

There is a large number of varying kinds of agencies in the agricultural field, which I suspect in one way or another can and do provide advice to the minister on agricultural matters. If that is a correct assumption, then the question that arose when I looked at them was whether there is a need for this omnibus advisory agency to the minister.

Ms. E. J. Smith: Would they visualize their role as prioritizing among these different groups? Do they see their role in that way?

Mr. Eichmanis: I think they see these are all separate. This is the difficulty. I am not familiar with the Ministry of Agriculture and Food and how it operates in terms of the kind of advice that flows to the minister. Looking at it from my perspective, it seems there are a number of agencies in that area, and then you have this one on top. It appeared on the surface at least to be redundant, but that is my question.

Mr. Swart: That organization has a major role with the government of this province. As Agriculture and Food critic for a number of years I am aware of the role it plays. That does not mean we should not be looking at it.

Mr. Eichmanis: You obviously know more about it than I, but it occurred to me to look at that from that perspective.

The next one is the Agricultural Research Institute of Ontario, which is responsible for making recommendations to the minister on the funding of research projects in the agriculture, veterinary medicine and consumer fields. Let me add that this is one the committee looked at in its first review in 1978. There was discussion last week that the committee might want to consider picking up an agency it had done some time in the past and looking at it again. This may be one that we could look at.

Mr. Epp: I have a general question. You have a write-up here on the Agricultural Research Institute, as you do on all the others. You also have all these listed in the big black books. Did you make up this write-up or is this something that is in another compendium? I am looking for some description of each of these agencies, boards and commissions. Did you make up these descriptions yourself or are they available?

Mr. Eichmanis: They are a compilation. Mr. Malcolmson and I either looked at the annual report of a given agency and compiled something on that or we looked at the legislation that created the agency. The KWIC Index has a short description of agencies. If that was not adequate, we supplemented it by looking at the legislation. It is a compilation from different sources. I cannot point you to a document that says, "Here is a short description of each agency that is in those books."

Mr. Chairman: Could you speak into your microphone? Hansard is not picking you up.

Mr. Epp: I am sorry.

Mr. Chairman: We do not want to miss these gems.

Mr. Epp: They are only questions. As a single document, is the KWIC Index the best source for a description?

Mr. Eichmanis: It lists a number of agencies, but it does not list all the ones that are in those two volumes.

From my point of view, while it gives you a general idea of what the agency is about, I do not think the information in the KWIC Index is good enough for my purposes. For the general public, it provides sufficient information at least to identify what the function of the agency is.

Ms. E. J. Smith: Just in passing on that point--and I had the same problem with the information in our other office--there is really nothing that gives us an indication of how active they are. That would be important to this committee. It is also important when you are appointing people to them, because if you appoint someone who is high-powered, with all kinds of brains, and find out that his committee never sits, you feel like a fool. I do not know how we can get that information. From the point of view of making appointments, it is really important to know.

Mr. Epp: It would be nice if we had them almost rated into A, B, C and D, or something like that. I am not sure whether you can do that.

Ms. E. J. Smith: Yes. Something so you know what you are doing to a person.

Mr. Swart: Is this not sort of a preliminary runthrough?

Ms. E. J. Smith: Yes. As I say, this is really a--

Mr. Swart: We will prioritize them afterwards, but what we have here is a report from our staff which indicates a variety of reasons they think we should take a look at it. I have some additional ones I want to throw into the pot after we deal with these, and I am sure others do, but I do not think we have to prioritize them now. Let us take a general look at it.

Ms. E. J. Smith: To be clear, I recognized that I was off subject before I made my comment. That is number one.

Number two, I was not talking about the prioritizing at all. I completely agree with what is in front of us and with what you are saying about it. My comment, on looking at this book and expressing my frustration as someone from a riding who is expected to say that we appoint someone to all these committees, was completely off subject, but I believe it was very important to all the members.

Mr. Sargent: How do we know which ones to pick?

Mr. Eichmanis: This is up to the committee to decide. The previous standing committee on procedural affairs and agencies, boards and commissions picked them on the basis of the interests of the members.

Mr. Swart, for instance, has been Agriculture and Food critic and has an interest in the agricultural area. Other members may have been or are critics, have had personal experience with constituents or have read about the agencies in newspapers. Their decisions may be based upon the kinds of criteria we talked about last week, namely, looking at agencies we have not looked at before or those in certain fields and so on.

There are a variety of motives, if you like, for members of the committee to pick agencies, and it is up to the committee to make those decisions.

Mr. Chairman: Before we go on any further, it might be a good idea to go back to last week's meeting.

We suggested the research staff come up with a list of possibilities. They are not etched in stone in any way. This committee might decide to take an entirely different viewpoint and go after agencies other than these. This is just a group suggested by the research staff.

Perhaps we can look at them. Maybe there are other suggestions. Perhaps we can come back next week with further suggestions on the basis of the ones we have.

Mrs. Marland: I apologize because I was not here last week.

Mr. Epp: We missed you.

10:30 a.m.

Mrs. Marland: I am glad I was missed, Mr. Epp.

The question Ms. Smith raised about the number of meetings is one aspect with two points of view. As Ms. Smith was saying, one has to do with considering appointments. As far as this committee and its review are concerned, when there are so many, I would like to see us spend the time on the ones with honorariums attached to them and the ones for which there are a number of meetings of those boards, commissions or agencies.

For example, I feel that if they have honorariums--a standing honorarium, not an honorarium per meeting--and they do not meet, we should look at those. If they should be abandoned, they should be abandoned. That is the kind of inspection I would like to see us do. When you see the list, I would like to see us try to eliminate those that do not serve any purpose.

I would like to see a list that shows the number of meetings for various ABCs. I would also like to know whether there is a master list that shows which have honorariums attached and which meet only once a year. From there, it might be interesting for the permanent members of the committee, after they have reviewed the book, to submit one that they think, for whatever reasons--it has not been reviewed for a number of years or the needs in the province have changed or the demographics in the province have changed--should be reviewed by the committee.

Mr. Leluk: I apologize; I was late in getting here this morning. I would like to ask what the criteria were on which the choice of these 12 agencies or commissions was made as a possible group for us to look at in committee. Were there reasons for the choice of these 12? Can you tell us why--

Mr. Eichmanis: There are more than 300, and we have done 79. After that, there is an element of subjectivity, and it is a question of picking those we have not looked at.

Mr. Leluk: I take it none of these 12 has been looked at before.

Mr. Eichmanis: Except for one, the Agricultural Research Institute of Ontario, which was done in the committee's first review in 1978. As you will recall, we noted last week that the committee may be interested in looking at ones the committee did some time ago.

Mr. Leluk: I agree with some things Mrs. Marland has said here. I would have thought this committee would want to look at some of those agencies, commissions or boards that have not been very active and would want to examine them carefully to see whether they should be sunsetted. I wonder whether any of this group of 12 might be of that nature, because I am sure there are some in this group that have been looked at and might be in the category of possible sunsetting.

Mr. Epp: I would like to add something to what John has covered. When we discussed this last week, one of the additional criteria we asked John to look at was to try to get two, three or four of them from the same ministry so that we not only would look at a scattering of them but also would zero in on certain ministries to see whether there was overlapping. That is one of the other aspects.

Mr. Leluk: The only problem with that is that if you have four or five agencies in the one ministry you want to look at, you will cut down the time available to look at all the other agencies and boards that are under other ministries. Maybe some of those should also be looked at, and we have time constraints here.

I do not know what the best possible way is. Do I take it that because there are 12 suggested or recommended ones, this is all the committee will be able to look at in the time it has available?

Mr. Eichmanis: No. My understanding from last week was that the research staff would come up with our list of suggestions, but that does not preclude members from having their own suggestions. In fact, you may ultimately decide not to do any of these but to review others.

Mr. Leluk: For example, the Addiction Research Foundation, I see, has been looked at twice since 1978, most recently in 1984. There may be reasons to look at that one again even though it has been looked at twice. That may go for some others on this list that was provided last week.

Mr. Eichmanis: Sure, if the committee so desires.

Mr. Leluk: Some of those we may consider for sunsetting. The fact that they have been reviewed once or twice should not preclude our looking at them again.

Mr. Eichmanis: No.

Mr. Swart: So that we can move ahead on this, I suggest we ask any questions we may have on these with regard to the reasons they were put on this list. We had a general discussion last week of the criteria that would be used. Certainly it was not put in writing. As Mrs. Marland has mentioned, there is the question of those that are not active; but there are a lot of other criteria, and some of them have already been mentioned. One that has not been mentioned is where there is a particular problem in a committee.

Our staff heard the discussion last week and they brought these in. We should ask the questions on each one as we go along rather than have general discussion now on criteria. Then we should hear from the members of this committee with regard to others we think we should also look into. I have two or three. We should throw them all into the pot and prioritize them, decide on the ones to which we should give the first consideration and then bring in others.

However, I do not think it is greatly helpful to discuss the criteria at this time when we had that discussion last week. This list has been brought in on the basis, to some extent at least, of those criteria. I would suggest that we go ahead with these at the present time, ask any questions we want as we go along about why they are on this list and then get to the other suggestions members may have.

Mr. Chairman: Perhaps I was a little remiss at the start of the meeting. I should have gone over what happened last week for the benefit of those members who were not here.

One of the things that was decided or was requested by the committee was that, in order to give us a place to start, the research department should come up with some suggestions, as it has done. As well, the committee was unanimous in saying that these were not necessarily the ones we would pick, that we had lots of time to do that. However, we have to start somewhere, and that is precisely what we are doing.

One other thing that happened, while I am on the subject of last week, was that this committee unanimously recommended to the House leaders' committee that if some decision is made to review appointments to committees, as was suggested, this committee, as opposed to the standing committee on the Legislative Assembly, should be the one to do it. This has been conveyed to the government House leader and to the other House leaders. I throw that in so you will know we have suggested it.

Could we go over these one by one, as Mr. Swart has suggested, and perhaps ask questions on them? Then we can get into the discussion of others later on in the meeting. Or, if it is deemed necessary, since we have only these black volumes, we can go away, have a look at them and then have suggestions by members.

Mr. Epp: I would like to see us make definite decisions on at least a few today so that we and the researchers can get going on this and start scheduling some meetings for the not too distant future rather than wait another week or two before those decisions are made.

Mr. Chairman: I understand it is going to take a few weeks to prepare for any one of those, is it not?

Mr. Eichmanis: Yes, it sure is.

Mr. Epp: Therefore, the sooner we make a decision on at least three or four or half a dozen, the better.

Mr. Chairman: Yes.

Mr. Eichmanis: Following the notion of grouping apples and apples, the next three are in the labour relations area: the Crown Employees Grievance Settlement Board, the Public Service Grievance Board and the Ontario Public Service Labour Relations Tribunal. The idea was that, first, the former committee had not looked at those in the past. We had looked only at the Ontario Labour Relations Board some years ago, so that we have not looked at anything in the labour relations field for some time. That was one area.

Several of these agencies have similar procedures and ways of dealing with the various issues that come before them. It was instructive for the previous standing committee on procedural affairs to compare how

administrative tribunals set about their work. We have found that some are very diligent in sticking to the Statutory Powers Procedure Act; some are not. Some have a variety of rules and regulations.

10:40 a.m.

As you will recall, some time ago, the McKuer commission set out minimum standards in the whole area of administrative tribunals. For these reasons, these three are set out here.

As well, with the next two, the Ontario Science Centre and the Royal Ontario Museum, we are again looking at apples and apples. We are trying to look at two agencies that, although they are different, are similar enough that useful comparisons and insights can perhaps be drawn on how the two operate. The committee could conceivably make useful recommendations based upon the comparison of the two agencies.

The Ontario Science Centre has never been reviewed by any committee, to my knowledge. The ROM was reviewed in the past by the standing committee on public accounts when it got into some difficulty with its capital budgeting.

The next is really one agency now, although at one time there were three. They are the Ontario Development Corporations. I do not know whether it was foresight on my part or what, but there was some mention in the budget yesterday that these would receive more money for loans.

The reason they are here is that they have not been looked at over the years. They have recently gone through some reorganization. At one time there were three independent, separate development corporations. Now, at least at an administrative level, they have come together into one overall body.

Mr. Sargent: As a matter of clarification, do you plan at any time to bring a minister here to justify the things in his area?

Mr. Chairman: It was suggested at last week's meeting that when we deal with a particular board, we request the attendance of a minister. We recognize we cannot demand it, but we suggest they be invited.

Mr. Sargent: Naturally, he would want to come anyway.

Mr. Chairman: They would want to come, naturally. It is such a fun committee that they would want to come.

Mr. Eichmanis: In the past, in the majority of cases, ministers have not come. In the vast majority of cases it has been the chairman, the chief executive officer or what have you of the agency and his people who have come. Although there is nothing to prevent a minister from coming, in the past, in most cases, they have not chosen to come. That is just an aside.

Ms. E. J. Smith: I hope we might correct that by having them send a representative, but at a separate time. It would seem to me that if you are the chairman of a committee, you are going to come and tell us how vital your work is and how important it is to the ministry; but if you are from the ministry, you might give, even by inference, a different perspective.

Mr. Eichmanis: Following the same pattern, we have the Environmental Assessment Board and the Environmental Appeal Board.

Mrs. Marland: I was just looking at that. The appeal board has no expiration of appointments. That is a whole area we might look at for any agency, board or commission.

Mr. Eichenmanis: As I am sure some members know, there is some difficulty with the assessment board.

Mrs. Marland: It is the appeal board that has no expiration of appointments.

Mr. Eichenmanis: The last one is the Building Industry Development Board, which was created in 1985 and was recently reconstituted as the Building Industry Strategy Board.

This is a relatively new agency. In the past there have been instances where members of the previous committee have taken an interest in looking at a relatively new agency to have an input into the direction that agency will ultimately take. For that reason, this particular board was included in the list, should the members be interested in looking at something that was just getting started and want to have input into the direction that agency may take.

That completes the list. I would make one comment, and this may be in response to Mr. Leluk's and Mrs. Marland's earlier comments on the whole question of criteria. I do not believe the predecessor committee looked merely at agencies that could be sunsetted. The terms of reference call for the committee to look at those agencies or to look at agencies for possible termination if they are redundant, and also to make recommendations on the operation of agencies that do not necessarily lead to termination.

I must admit that when I picked these it was with that background as part of my experience with the predecessor committee. If the committee chooses a different set of criteria for picking agencies, then I am here to serve the committee. If that is what you want to do, then that is fine with the research staff. I was going on the parameters of the framework of the predecessor committee's ways of operating.

Mr. Chairman: Are there any questions so far?

Mr. Sargent: It is a gargantuan job.

Mr. Eichenmanis: Yes, although since 1978, the predecessor committee had reviewed only 79 ABCs.

Mr. Swart: I do not know whether you are ready for this yet, but I have a few others I would like to propose or at least throw into the mix.

Mr. Chairman: We could do that. It might not be a bad idea if we did have suggestions from committee. I would not want to limit them to today. Since we got the full volumes only today, there is a lot of looking into that certain members of the committee might like to do.

If you have suggestions, perhaps the research staff could make some preliminary notes for a future meeting. Maybe we could come back with other suggestions at a later time. I do not think we should limit ourselves on this before we reach a final decision.

Mr. Swart: I was going to make a proposal, but I wanted to get the okay from you first.

Mr. Chairman: Is the committee agreed that we should accept suggestions now?

Mr. Swart: I will propose at least two and perhaps three. One I would like to have investigated is the Ontario Lottery Corp. There have been real problems there. You are aware of them, particularly the sale of lottery tickets in the United States. We should take a look at the Ontario Lottery Corp. By the very nature of its operation, problems can arise. There have been problems, and I would like to look into that body.

Another area where there have been problems, as anybody in agriculture will know, is the Ontario Drainage Tribunal. Criticisms of it have been legion. We should be taking a look at that body. The controversy on drainage projects in Ontario is immense, and with some justification. It appears the Ontario Drainage Tribunal has added to those problems. I would like to look into that.

Mr. Epp: Mr. Swart, the last time that was looked into, I think Lorne Henderson was the chairman of the committee, and it went down to Florida to check the drainage. You are not recommending that, are you?

Mr. Sargent: Let us leave it until the fall.

10:50 a.m.

Mr. Swart: No, I am not recommending that. As a matter of fact, that was not the last time, if you read over the reports of proceedings of the procedural affairs committee. The tribunal was looked into a year ago, and we may not want to do it again for that reason; but there certainly have been major problems there.

The other one we should look into is the Liquor Control Board of Ontario. That was looked into in 1980. It has been six years, but problems have developed with the new warehouse in Pickering--it is not Pickering, but it is out in that direction. The numbers of issues that have been brought to me, and I am the critic for the New Democratic Party for Consumer and Commercial Relations, would indicate to me that there is real justification. I can go into this further at a later date, but I wanted to throw out those three at least. I have marked others, but those would be my three for priority.

Mrs. Marland: We have approximately 300 agencies, boards and commissions, give or take 20. Is that the figure? Is it 300 or 600?

Mr. Eichmanis: It is a lot. It is 538, I believe, but that includes local police authorities, local health units, things such as that.

Mrs. Marland: And conservation authorities. All right. I will ask it differently. How many do we have listed in here?

Mr. Eichmanis: That is the 538.

Mrs. Marland: They are all in here, the police commissions as well?

Mr. Eichmanis: Everything.

Mrs. Marland: Since the committee has been fulfilling its mandate, as the procedural affairs committee, it went through a total of 79. Is what you are saying? Is there a list somewhere in here of what has been done?

Mr. Eichmanis: No.

Mr. Chairman: It is in the report you have.

Mrs. Marland: It is in that report; I knew I had seen it. I know last year when I was on the procedural affairs committee I was aware that some of the ABCs we reviewed last year had been reviewed within the last five years, or maybe it was the last 10 years. I did wonder why we were reviewing some again while there were so many to be reviewed that had never been reviewed.

If possible, unless there is a known problem with an ABC, I would like to see us not review any that have already been reviewed, because otherwise the purpose of our mandate will never be fulfilled. If there is an ABC with a known problem or concern, then that should be among the first we would review.

I agree with Mr. Swart. I would like to see us review the Ontario Lottery Corp., but there may well be others that have been reviewed in the last 10 years, and if there is some question or problem yes, we should review them. Otherwise--and I recognize you are going in this direction--I would like to see members of the committee go away and come back next week with some proposals that we would personally like to see as part of the review.

In order to do that I have to have a list of what has been done and when.

Mr. Chairman: You have that list and that report.

Mrs. Marland: Thank you.

Ms. E. J. Smith: I agree we are dealing with huge numbers here and I have already asked for a report--for an addition--on how often people meet. The committee might consider setting up a subcommittee and send out a letter. I do not know how many would come into a category of not having met within a year. Would there be many?

Mr. Eichmanis: In my experience, the least number of times a board or commission would have met is something like three or four. That is the least number of times.

Ms. E. J. Smith: So they are active to some extent.

Mr. Eichmanis: This is not to say that I know all the 300 or 500 agencies, but only the 79.

Ms. E. J. Smith: It seems to me as a beginner that we might take a whole group of the ones that seem to be becoming somewhat redundant and send out letters saying, "We are interested in your existence and wonder if you would like to write us as to whether you should continue to exist." You might find quite a few of them would not try to justify their own existence. It might be a more rewarding undertaking than you anticipated.

Mrs. Marland: That is a great idea.

Mr. Chairman: When would you like it executed?

Ms. E. J. Smith: First, we might get the report on how often they meet.

Mr. Chairman: Can we break that down? Is that a possibility for the 500?

Mr. Eichmanis: Issuing 500 letters?

Mr. Chairman: No. Going over the committees and determining how often they meet and whether they have not met.

Mr. Eichmanis: I think it will require two weeks of phone calls in most instances.

Mrs. Marland: Why do you not just do as Ms. Smith suggests--send out the letter and let them give us the information about whether they have met, and send the minutes of their last meeting so we know what they are doing when they do meet?

Mr. Chairman: Do you want reports from 500 committees?

Ms. E. J. Smith: It is better than appointing people to 500 committees that never meet.

Mr. Chairman: I have a list. We had better get back to it.

Mr. Swart: I am just on this issue.

Mr. Chairman: The same issue?

Mr. Swart: I was going to suggest the letters should go to the ministries. Almost all of them operate under a ministry and surely the ministry would know. A ministry official often acts as secretary. If we send a letter to the ministry, it could tell us how often these committees meet.

Interjection.

Mr. Swart: It is important, I agree, that we get that information.

Mr. Chairman: Order, please.

Mr. Grande: I would like to comment on the idea of a letter going from this committee to 500-odd agencies, telling them to give us a report or whatever in terms of whether they see that their mandate has come to an end or whether they are still continuing. If the Ontario Arts Council, just to mention one, receives a letter such as that, what will they make of it? What is in the minds of the committee members? What are they thinking about? What Mr. Swart was saying seems to me to be a much better way to approach it.

These agencies, boards and commissions are obviously the responsibility of certain ministries. Therefore, I would think that those ministries should have a handle on how long those people meet, whether their mandate has expired, or whether the mandate should be improved, expanded or whatever. To maintain contacts with those agencies, boards and commissions is clearly a government responsibility.

As it was pointed out before, our mandate is to say that we would like to review these particular agencies, and I know we are not going to review them all in one or two years; we will be here till doomsday. The fact is that as members of the committee we are interested in certain agencies and in making sure their mandate is carried out, expanded or whatever. We want to have some idea of what they are up to, what they are doing.

Before I leave the floor, I would like to suggest a couple I think ought to be included. One is the Ontario Advisory Council on Multiculturalism and Citizenship. I know there was a 10-year review two or three years ago and it indicated that the mandate of that committee should continue. However, I feel that mandate has been extended into so many areas that it has become almost a meaningless exercise. The government, if I am not mistaken, is also beginning to talk about sunsetting this advisory council. As critic of that particular ministry, I would very much like to see it come to grips with it in terms of reasons.

Another one is the Ontario Institute for Studies in Education. Again, as a result of what has happened in the last four to five months, I think a tremendous number of people are very much concerned about what has taken place between OISE and the University of Toronto. I think the committee's time would perhaps be worth while spending in trying to come to grips with that.

I see that the Languages of Instruction Commission of Ontario was before the committee last year; therefore, there may be no need for that, but I would certainly be interested. I will read the report of last year's committee on that and, perhaps as a result of that, be satisfied in terms of my concerns about that commission.

To sum up, the Ontario Advisory Council on Multiculturalism and Citizenship and OISE would be a couple of agencies I would like to see added to this list in some way, shape or form.

11 a.m.

Mr. Leluk: With respect to looking at some of these agencies and commissions that have been looked at previously, but without having the reports and therefore not knowing exactly what was examined--whether their roles were examined or whether certain things were looked at--I have two in mind at the moment. Both have been looked at previously.

One is the Ontario Arts Council, which I think was looked at back in 1978. I have some concerns, which I raised during the estimates, about the criteria used for the funding of various artists, film makers and what have you. In questioning Mr. Pitman, who is the executive director, I was somewhat concerned about the funding of film makers.

The council does not seem to want to question the content of the films; it merely looks at the quality of the film maker. That means public funds could be given for the funding of a pornographic film, a pro-abortion film or some other type of film. Right now, I understand one of those types of films has been funded. I would like to take a look at that agency, because I have some concerns and have had people express their concerns to me about the manner in which funding is conducted through it.

Another body that has been looked at twice is the Alcoholism and Drug Addiction Research Foundation. I have serious concerns about its role. It is a research and treatment facility with 100 treatment beds and it receives substantial funding. It also has an educational function, but not too long ago some of the literature emanating from it was very pro drug. As one who has been involved in this area for more than 20 years, I can tell you it is very pro drug. I have some concerns about a conflict of interest when the foundation provides the public with information that may tend to be somewhat lenient or permissive on the one hand and then takes a person with a problem and tries to treat and rehabilitate him.

I would like to take a look at the role of the foundation; maybe that role should be changed somewhat. Maybe it should have a strictly research and treatment role and not have an educational role at all.

Those are two agencies I would like to have a look at.

Mr. Epp: This discussion on these various ABCs is very apropos and worth while. Going back to Mr. Swart's and Mr. Grande's points with respect to getting this information, we should go to the ministries. Second, I think Mr. Eichmanis and Mr. Malcolmson should make up basic forms to find out how many meetings have been held on average during the past three, four or five years. That information should be readily available from these various agencies. We should also see how the agencies perceive their function and whether they see a need to expand that function. We should prepare a basic two-page form letter or something of that nature to go out so that we have a basic starting point for all the agencies and can compare apples with apples and oranges with oranges. I am sure we can do something such as that, get that information from the ministries and give a time and date by which the form letters should be returned.

With respect to the agencies we should take a look at, I might say to Mr. Grande that OISE was looked at at some length by another committee. I would hate to reinvent the wheel. I understand his concern with OISE and am not taking argument with that, but there were hearings and one particular committee of this Legislature is seriously looking at the whole thing. I do not want to expend a lot of time on a particular agency, whatever it might be, where we have already dealt with it or where this Legislature has dealt with it, when we could spend our time more appropriately with another one. I ask him to look at that and to check with his colleagues as to the information they have on them.

We have more than 300 agencies. We have looked at some of the others recently, for instance those Mr. Swart mentioned, and perhaps we should not look at them again this quickly. I ask my colleagues on this committee to look a little more seriously at the agencies they are recommending so that we can expend our time in a very worthwhile manner.

Mrs. Marland: I do not know whether it is better to send letters to the chairmen or to do it through the ministries. I would like to hear a little more about that before I decide that I want only the ministry to give us the answers. The chairmen of the various boards and commissions have a responsibility to reply to a letter.

Actually, when we start to look through this, I bet we can get down to 150, to which we would end up writing letters. When you look through here, you see how many it is obvious we would write to, such as health councils, conservation authorities, police commissions, health units, hospital boards and housing authorities. The bulk of them come under those kinds of areas. Obviously, we are not going to be looking into hospital boards, health units and the cancer society.

The other thing is concern about whether the letter would insult, for example, the Ontario Arts Council, as Tony suggested. We can write a letter that does not insult anybody. It would say, "We are interested in your agency or board and for the purposes of information, can you give us the number of meetings you find it necessary to hold?" In no way would we suggest we were looking at sunsetting them. We could write a very positive letter.

They might well be complimented to hear that a committee of the Legislature was interested in them. They might never have had a letter from--I suggest the letter would go from you as chairman of the committee--a legislative committee saying, "We are interested in what you are doing and how you are doing." The other part is that perhaps they need some help.

It is fine to go through the ministries that are responsible for these committees, but then we are actually saying to the ministry staff person, whoever it is that looks at it, "Give us a bit of your opinion," and, "Give us the details about the number of meetings." I do not know whether we might not be more courteous and get a little further by dealing directly with the chairmen of the various groups to which we write. As I say, I will bet we can eliminate them down to 150 or 200, at the most, when we start looking through them.

Mr. Chairman: Before we get too hung up and go off on a tangent, we should review our mandate, which is to review a number of agencies, boards and commissions each year. We should bear that in mind. I am not suggesting for a minute that it is wrong to do what is being suggested here, to ask opinions from the committees; that could possibly be a second function. However, I think we have to direct ourselves to the initial point and that is to review some agencies.

Mrs. Marland: I am sorry to interrupt you, but are we not discussing which agencies to interview? Is not the point of the letters to get more information?

Mr. Chairman: I hope it is not being suggested that we wait to select the committees we are going to review until we have received reviewed 500 replies.

Mrs. Marland: No.

11:10 a.m.

Mr. Chairman: I do not think we can do that. It could be that a function of that type would be useful for future selections. It is too late in the day to decide that we have to get opinions from 500 committees before we determine which ones we are going to zero in on. This is just an opinion. I have a list.

Ms. E. J. Smith: This conversation has been extremely useful. If you look at the opinions all around, we more or less have a consensus. In my original suggestion I was not thinking we would write to all 550 committees. I was zeroing on ones that did not meet. One of the nongovernment members of the committee, I have forgotten whom, also pointed out that these are committees of the government and that we should consult with the government.

I agree that in our zeroing in we should probably contact the ministries first to get their input. Then in the end the last two points become important. This is part of a selection process. We should do it with great tact. When we have heard back from the ministry that certain ones are not included as vital and we have written a tactful letter to the chairmen, that could be of ongoing interest to an ongoing committee.

This is a new committee. I realize the job was carried on by an old committee, but it emphasizes our role and importance that we have been made into a separate committee. There is nothing wrong with the fact that they may

not become part of this session's duty, but we must start the ball rolling now.

Mr. Swart: Mr. Chairman, I partly support your comments. We have to recognize that we have a two- or three-stage process. It is impossible to send letters to every committee and get opinions from them. If we have 350 committees--

Mrs. Marland: I am not asking for opinions.

Mr. Swart: If we ask for the views of 350 or 380 committees, we as a committee will not have time to read them or even to look at them cursorily. I understood that when we contacted the ministry about each agency, it would be for one purpose: to find out how often they have met. If we find that 10 have not met or have met only once or twice, we may want to give them special attention as Mrs. Marland has indicated. I agree with that, but for our work this summer we do not want to get an opinion, either from the ministry or all the agencies, boards and commissions themselves, to make a decision on which ones we will investigate.

When we get the information on those that have not met or have only met a few times in the year, we might take a special look at them. There may then be 25 or 30 agencies we will want to get more in-depth information on in our final selection process. To get opinions from them now is not a very practical way of proceeding this summer, although the committee may want to have this in the file. The staff will have to look at it. I do not see how the committee will have time to look at 300 of these.

Mr. Chairman: Can we not go in both directions at once?

Mr. Swart: I suggest we write a letter to every ministry and ask how often the committees in the ministry meet. That will help in our selection process. We can get that back very quickly without any difficulty. After we have narrowed it down, we will hear from the members on the recommendations we have from our staff. We can then decide what further information we need to make our final selection process.

Ms. E. J. Smith: We seem to be torn as to whether to get comments from the ministries. We are getting information on how often they meet. We could at least leave room for a comment or suggest a voluntary comment if they wish to make one. There is no point in bugging the ministries twice if we can get two pieces of information at once. On the other hand, we should not expect them to have massive meetings to determine whether they want to sunset a committee at this stage. We could work with the research members to try to work out a possible approach that satisfies--we are trying to identify any redundant committees.

Mr. Swart: I do not disagree with that in principle. If we ask for an opinion or whether they would like to give an opinion, are we not going to be a month or so getting an answer? They may want to give an opinion. I would like the evidence on how often they have met in the past year or the past two years for a preliminary selection process. I am bothered that they are going to feel some obligation or that they will have a vested interest in giving an opinion. There are many ministries that have 25 boards. I suspect the Ministry of Agriculture and Food might have even more than that. If you wait for opinions, it is going to take a long time to make the selection process. We have to get on with the process.

Mr. Eichmanis: My experience with ministries has been that once an

agency is created, it is out there and it does its job and its function and so on. The ministries do not, as a matter of course, monitor the activities of the agencies. They would not, in most instances, have readily at hand the number of times an agency had met.

Mr. Swart: They would not?

Mr. Eichmanis: No, they would not. They would have to make a phone call themselves to the agency to ask the staff or the chairman or whoever how many times the board or the commission has met. There is no monitoring function at the ministerial level that I am aware of. There is nothing wrong with sending a letter, but it may take some time for the ministry staff to make those phone calls and get that information. It may take a couple of weeks, maybe even longer. As Mr. Swart pointed out, the agencies under some ministries, for example the Ministry of Health, go on for ever practically. There may be some delay.

Mr. Chairman: Perhaps we should do two things. First, we should get on with the job of selecting the agencies we are going to do this summer because there is a fair amount of work required by the research staff to prepare us for that. We should get on, over the next week, or two at the most, to selecting the committees we will investigate. At the same time, there is nothing wrong with staff being available to write to either the ministries or the boards and commissions, whichever is the wish of this committee, to secure that information to prepare us. We will have further sessions next winter for which we are going to need some background. The idea of determining how often they meet is very important, but it is not the be-all and end-all. Some committees might meet once a year and do a hell of a lot more than those that meet weekly.

Perhaps we should do the two things. There is nothing wrong with getting on with 500 letters or requests or whatever, but can we get on with the selection of those we are going to do this summer? We need them right away. Are there any further suggestions at the moment as to committees people have in mind?

Mr. Swart: In the selection process, if we know how often they meet--and I agree with you that it is not the only criterion but certainly is a major one--and if a committee meets only once or twice or three times a year, there is some question whether its existence is justified. I would still like to see a letter go out very quickly asking that simple question of how often they meet or whether they are aware of any of these organizations that meet less than three or four times a year.

11:20 a.m.

In determining the committees that are going to be investigated, if we want to perform a useful function, one useful function seems to be to reduce the numbers of these boards and agencies if they are not performing a useful purpose. It would be wise to have that information when deciding. We may not have it all; I realize we have to move ahead. However, if we can get at least some of this back, if they can even provide us with information about ones

they know about that meet very infrequently, that would have a great impact on our selection process.

Mr. Chairman: We are both saying the same thing in different ways. The selections of the committees we investigate will be based on more than how often they meet. We should try to come up with some suggestions. Then, perhaps, once we have selected the ones we think we would like to investigate, a simple phone call to 12 or 15 is a lot easier than getting information from 500.

In the meantime, we can still write these letters of inquiry as a second course of action from this committee and get the overall information back. We would then have far more time for review. We have to get on, however, with the selection process.

Mr. Swart: We may not have any difference at all; but there is a difference. What I am suggesting is that letters should go out tomorrow or the next day to the ministries asking the question: "Among your boards and agencies, which are the ones that meet very infrequently?" We should say that we would like to have this information as quickly as possible.

We would then proceed as you have suggested. We would hope to have them, or a good part of them, in so that they can be part of the mix on which we make a decision.

Mr. Eichmanis: To add another twist to this, and to complicate the committee's life a little further--

Mr. Chairman: That is what we need right now.

Mr. Eichmanis: It struck me, as Mr. Swart was speaking, that in some cases there is a board which may meet half a dozen times a year, but there is a permanent staff of the agency which carries on the agency's operations--GO Transit, for example. The board may meet only four times a year, but you do not get any sense from that of what that agency is doing in terms of its day-to-day functions.

In some cases, there are agencies where a reading of the number of times the board meets is a good indication of the activity of that particular agency. In other cases, because of the nature of the board, it bears no relationship to its day-to-day functioning or activities. Some agencies--for example, the Ontario Science Centre, the Royal Ontario Museum or the Ontario Lottery Corp.--may not meet that often and make executive or policy decisions for those agencies.

That is just to complicate your life even further.

Ms. E. J. Smith: We can simplify that sort of problem by keeping in mind the purpose of this operation, which is not to eliminate major groups. If they meet four times a year to run the Toronto Transit Commission, they are obviously not a nothingness board. If you keep in mind why we are doing it, I do not think you will have trouble with that.

Mr. Chairman: On the theory that a camel is nothing more than a horse designed by a committee, can we perhaps--

Interjections.

Mr. Grande: Sitting on chairs.

Mr. Chairman: Ain't it the truth? We seem to be all over the place on this.

Is it agreed that we should recommend certain committees for investigation this summer? Is the committee agreed on that? Is it also agreed that, at the same time if possible, we should contact the ministry or board to determine the regularity of their meetings and ongoing functions? Should we authorize the research staff to proceed preparing letters to whoever, and adjourn to come back next week with further suggestions as to what committees we will immediately consider attacking?

Mrs. Marland: That sounds fine. I would like to emphasize that the letter must be a very positive one and not simply a letter asking for information. We may end up adding to a board, changing the format, widening its mandate. If we are going to review something, we should be able to review any aspect of it.

Interjection.

Mrs. Marland: That is all right. I do not know if you are going to read Hansard or listen to my answer.

Mr. Chairman: No. There was a comment on an additional subject. Go ahead. I am listening attentively.

Mrs. Marland: The letter that should go only needs to be brief. It needs to be very positive and specify the area of information that we need, such as how often they are meeting and whether they have any specific suggestions about their mandate. It could be something as simple as that. I would be quite happy to leave it to our research staff to go through here and give us a list of the ones to which they have sent the letters.

The more I look at this, the more I realize you may well be down to 100 letters. There is a whole pile there that you would never write a letter to because we know what they are doing; we know what their function is and we would not even care how often they meet. A hospital board is going to need to meet once a month. The Toronto Area Transit Operations Authority will need to meet four times a year. We are not interested in spending any time sending letters to those types of organizations.

Mr. Chairman: How are we going to determine to which ones we send?

Ms. E. J. Smith: We are looking for inactive boards, so if we know they are active, they are eliminated at this point.

Mrs. Marland: When you glance through here, you will see right away why you would not send letters to them.

Mr. Chairman: You are suggesting that the research staff make that determination?

Mrs. Marland: Yes, and give us a list. If I spent an hour and a half going through here, I could give you a list.

Mr. Chairman: All in favour?

Mr. Grande: All in favour of what?

Mr. Chairman: Of Mrs. Marland going through the list.

Mrs. Marland: The ones that you would send the letter to, and the ones you would not, jump out very quickly. I would be happy to leave it to John Eichmanis and his staff to do that and then give us a list of those he has sent letters to.

Mr. Swart: I want to point out that there is real danger if you send it to the boards themselves. The boards which have the least to do perhaps meet only every three or four months and do not have any staff, so they are the ones that are going to take the longest to get the letter back to you. You may never get it. It would be better to send the letter through the ministry.

Mrs. Marland: I do not care where it goes.

Mr. Chairman: It has been pointed out that whereas the research staff can assist in preparing this list, the letters from a committee go out from the clerk or the chairman.

Ms. E. J. Smith: From my years of city experience, if a letter comes from the clerk congratulating me for saving someone's life, I feel as if I have done a disservice to the community, it is so cut and dried.

Mrs. Marland: Absolutely.

Ms. E. J. Smith: I recommend we do as Mrs. Marland suggests, but that we get the list back to approve before we send out the letters. That helps them in their position of whether they are doing the right or wrong thing. I would also like to see the letter go from you, as chairman. It can be very positive in tone, rather than having the clerical type, for example, "It was moved by such and such a committee that...." It is in the nature of what has been said here that the letter must be positive and friendly. I do not think that is possible coming out of the clerk's office.

Mr. Chairman: I was making the point that it does not go from the research directors. It goes from either the clerk or the chairman.

Ms. E. J. Smith: It goes from you. After we have approved the list and the letter, let us send it from you.

Mr. Chairman: Can I bring them into the House to sign?

Ms. E. J. Smith: We will get you a stamp.

Mr. Chairman: Is it agreed that we ask the research staff to come back next week with a list of those boards to which they think we should send them?

Mr. Eichmanis: If the committee would like, Patrick and I can do this in the next couple of days and by Friday, or at least Monday, we could have a list that we could send to your offices. You could review it before Wednesday.

Ms. E. J. Smith: Right.

Mr. Leluk: Good suggestion.

Mr. Swart: I would have no problem in leaving it up to the staff to determine to whom the letters should go. If we wait until next week, it will be of less assistance because it will be that much longer before we get them back. I have no objection to leaving that to them.

11:30 a.m.

Ms. E. J. Smith: A week is a short time. It is going to take a fair while to get answers back. If we take a week, at least we will not spend a whole meeting next time discussing whether they should have gone to this or that person. If we have a chance to review it and say yes or no before the next meeting, then it takes it off the controversial list and next week we can get on with the immediate task of selecting the ones we are going to deal with.

Mr. Swart: It does not take it off the controversial list. If we are each going over 380 names to decide which one should get a letter, then we as a committee are going to come back here and decide which of those 380 get the letter.

Mr. Chairman: I expect we will spend next week's meeting going over that list and making additions and deletions.

Mr. Swart: We will.

Ms. E. J. Smith: I thought we were reducing it to those to which the research people thought we should send a letter. That will not be 380. It has been suggested that it may be 100.

Mr. Swart: If they get it down to 100, I do not see anything wrong with sending a letter out to all 100. I do not see why we have to go over it.

Ms. E. J. Smith: That is fine by me. I do not think the member should get upset. If people agree that we leave it to research, that is fine. I was trying to make it noncontroversial rather than upset anyone.

Mr. Chairman: If the committee is in agreement, the research staff will present a list to me. Do I have your authority to authorize this in the letter?

Mr. Swart: You have it from me, Mr. Chairman.

Mrs. Marland: Yes; but the letter will go from you and not the clerk?

Mr. Chairman: Yes.

Mrs. Marland: You will furnish us with a list of those to whom it is going?

Mr. Chairman: That is right.

Mrs. Marland: Okay. That is fine.

Mr. Chairman: Are you going to have another look at it, or are these your suggestions for next week?

Mr. Swart: Those are my suggestions--the priorities at the present time with the option that we may throw another one in.

Mr. Chairman: Could I suggest the committee members come back next week with any further suggestions as to committees they think we should deal with? We are going to get down to the lottery formula at some point to determine the final 12. We can talk about that next week.

Ms. E. J. Smith: That puts lotteries at the top.

Mr. Chairman: Okay.

The committee adjourned at 11:32 a.m.

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Publications

STANDING COMMITTEE ON GOVERNMENT AGENCIES

MANAGEMENT BOARD OF CABINET
AGENCY REVIEW

WEDNESDAY, MAY 21, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

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VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Clerk pro tem: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, May 21, 1986

The committee met at 10:18 a.m. in room 228.

STAFF REPORT: MANAGEMENT BOARD OF CABINET

Mr. Chairman: I see a quorum. We have a staff report from the Management Board of Cabinet re the list of agencies, boards and commissions. We have Gillian Gillespie here from Management Board.

Ms. E. J. Smith: Not officially.

Mr. Eichmanis: I was going to explain--

Mr. Chairman: Yes, that is fine. John, do you want to go over the problem we ran into?

Mr. Eichmanis: As result of discussions last week in the committee, I thought it might be appropriate if I talked to someone at Management Board to see if the staff could provide some guidance to the committee with respect to the choosing of agencies and so on. I spoke to Gillian Gillespie of Management Board yesterday morning. During the course of our conversation, she indicated that there is going to be an addition to the Manual of Administration in the section dealing with agencies and that Management Board is proposing that there be a new definition of agencies which would have the effect of dropping from the list--that is, the Manual of Administration list of agencies--a number of agencies where the government does not appoint the majority of board members. For example, agencies such as hospital boards--

Mrs. Marland: Conservation authorities.

Mr. Eichmanis: --conservation authorities, the Toronto Stock Exchange and the Law Society of Upper Canada would no longer appear as government of Ontario agencies since the government does not appoint the majority of the members to the boards of those agencies. I thought that was a significant change in policy and that should be brought to the attention of the committee since this has repercussions in the committee's choice of which agencies it wants to review, since this policy has been approved by Management Board and will take effect at the end of this month.

Mr. Epp: As I understand it, the government is reviewing the criteria of the various agencies to which government makes appointments at present. However, I also understand the criteria for dropping some of these from the list, as Mr. Eichmanis has indicated. As I understand it, no money from the province goes to these boards, so there is no financial support, and the government provides no staff support. The dropping, so to speak, is for administrative purposes only. Government will still make appointments to these various agencies. It is for administrative purposes only.

However, I think we require some kind of clarification with respect to whether, in the final analysis, it is going to create a situation where they are beyond the reach of this committee. It is my impression that they will not

be. However, it is probably incumbent on us, as a committee, to find out for sure whether the present criteria as laid out by the Legislature are sufficient and all-encompassing and whether it will change our right to call various agencies before this committee with respect to appointments. We might want to look at that.

They are proposing to drop or delist a group strictly for administrative purposes, as I understand it, and those would be professional organizations such as the professional engineers, the nurses' organization and others; there are about 40 of them. We might want to look at one of those aspects.

Ms. E. J. Smith: To clarify this further, we share your concern as to what it means. I think up until this moment it has been reviewed by administration for purposes of administration without consideration of the political implications. I think it is important that we be clear that it is not something political that is being done quietly behind the scenes. From the point of view of those who are addressing it, it is more an administrative problem they are looking at. As far as we can see, when you say "for administrative purposes only" you could almost add "for administrative purposes only by the Management Board secretariat." In other words, there will still be administrative involvement in the office of appointments. This may make a difference in the answer you get as to whether they are still accountable to this board.

The biggest thing we share your concern about is that if you technically change the name in one place--namely, in the administrative manual--and no longer consider them as agencies, do you thereby remove them from our committee which reviews appointments to agencies, boards and commissions? We need a logistical, legal and clerical interpretation to clarify it rather than one that we need get defensive about at this point. There is willingness on all sides to make sure that the implication here is strictly an administrative one as it applies to the secretariat of the Management Board of Cabinet.

Mrs. Marland: John Eichmanis mentioned that one of the criteria was that there was no money, no funding for these.

Ms. E. J. Smith: No, Mr. Epp mentioned it. He mentioned the majority.

Mrs. Marland: Mr. Eichmanis also mentioned it.

Ms. E. J. Smith: Mr. Eichmanis mentioned the majority versus the nonmajority. That is one that we are told did not apply. We have different information. I am pointing that out because John primarily mentioned it in terms of where there was a majority. When we got into trying to clarify this in our own minds, it turned out that it could apply even where there is a majority as long as there is no administration or money involved. There was a difference in what was perceived.

Mrs. Marland: I wrote it down when John said there was no money. Let us look at conservation authorities. You mentioned conservation authorities as one group that was included. Am I right?

Ms. E. J. Smith: No, you mentioned the conservation authority.

Mrs. Marland: Yes.

Mr. Epp: No.

Mr. Chairman: We do not have a list of them.

Mrs. Marland: I mentioned it and John agreed. That is why I was asking. The point is, whether or not they receive money should not be the criterion. Conservation authorities are funded by the province. At least 50 per cent of their budgets are provincial money. The mandate of this committee in the past has not been to look at those or to review any of these ABCs with a view to just dealing with the appointments. It is a matter of dealing with the essence and the thrust of the committee and whether or not the committee either still has a mandate or is executing its mandate.

Ms. E. J. Smith: It all needs clarifying.

Mrs. Marland: Yes. What is going to happen? Are we going to have a written clarification of what the government sees before this committee? Is that what we are going to have?

Ms. E. J. Smith: At least part of the confusion seems to be because our legislative rights, as a committee of the Legislature, can come from two sources. One is our own terms of reference. At this point, it seems to address only the appointment and so on. The other seems to be our rights under the legislation by which we appoint, which are as many and as varied as there are committees. You cannot come up with such an easy answer for it. In other words, we need clarification because, as far as we can determine, we have done a lot of things in the past and everyone accepts what we do. But now this raises a question of whether we did it because people were willing or because we had the legislative right. It is a cloudy issue that we need clarified.

Mrs. Marland: The people of Ontario would feel some confidence in the fact that there is a committee of the Legislature that does have some access to at least review the ABCs, whether or not government makes the majority of appointments and whether or not there is funding. It has been a very healthy vehicle in the past. I hope that if we tread into the area of eliminating some of those ABCs, the committee will be the group that will make the decision as to which groups will be eliminated.

10:30 a.m.

Mr. Chairman: As I understand it, there is no attempt at this point to make any decision as to whether or not this group of agencies, boards and commissions will be taken out of the jurisdiction of this committee.

Ms. E. J. Smith: Apparently the Management Board is looking at it from an administrative view of making changes. It would probably be a good thing for this committee to make some sort of formal request for assurance that they are looking at it strictly from an administrative point of view, from the point of view of the secretariat, and that we would like to talk to them as to any further implications--something like that.

Mr. Epp: I guess our concern is that various agencies would fall outside the jurisdiction of this committee inadvertently by not being classified as agencies. In other words, if, all of a sudden, you say the government can make appointments to them but for administrative purposes they are not agencies of the Ontario government, of the provincial political scene, then, inadvertently, we do not have the right to call them before this committee.

There are examples of where we have called agencies before this

committee that are not, supposedly, agencies of the provincial government. We did not have the right to call them; they came because we asked them. They politely came and answered questions because, for their political purposes, for their public relations purposes, they felt it was good to come before this committee. We did not have a right to call them or force them to come.

We are interested in ensuring that the agencies the government now wants to reclassify outside of schedule A, B and C do not fall into that particular category or group where we do not have the right to call them. We want to go on record as supporting a clarification of the definition whereby, because the province still makes appointments to these agencies, the province still has the right to call them before a committee of the provincial Legislature, whether or not we make a majority of appointments.

Another criterion could be that you could call before this committee only the specific members you appoint and we are not interested in that either. We are interested in being able to call the heads of those agencies before this committee or any committee of the House.

Mr. Chairman: If we are not changing things in any way--we have no financial control over these committees, we can still make appointments and you say we are changing them only administratively--since the government is not really gaining anything by making this change, why are they making it at this time?

Mr. Epp: As I understand it, and I am sure the government can give a clear indication, they are trying to streamline things a little with respect to those over which they have total control, those they fund completely and those to which they make all the appointments and so forth. As you know, since you were a member of Management Board, this particular review for streamlining started about two years ago.

I understand they wanted to streamline the ones in schedule 1, 2, and 3 and, since there was no financial support and no staffing support, for administrative purposes they did not have to account for them in the Management Board secretariat. They wanted to put them in a separate category, not mix them up with all the others. It is a clarification of the definitions of various provincial agencies.

Mr. Chairman: What procedure do we take then? Is Management Board going to come to us and make a presentation as to its suggestions in the very near future?

Mr. Epp: There are a few options open to us. One is that we could ask Management Board to come before us. Another option would be to have Mr. Eichmanis go to Management Board and get a clarification on exactly what the changes are and report back to this committee.

The other thing is that we could ask the Clerk of the House to find out exactly what the changes will bestow on this committee from the standpoint of changing the criteria; whether with the criterion now in place which gives us the right to call these various agencies before this committee, that will in any way affect our right to call those 40 or so agencies that are going to be dropped from the Management Board secretariat's administrative list.

Mrs. Marland: If this committee is going to make a decision about either inviting Management Board or having one of the committee's staff go to the board, I suggest we have Management Board come here. To have the staff be

in the middle relaying--what Management Board is saying is great, but I would like to be able to ask them questions so that I better understand the thread.

Mr. Epp: I have no problem with that.

Mr. Sargent: Six months ago, two of my staff and I went through every one of these reports. It took us two and a half days. I am not being political at all, but this is a compilation built up over 42 years. I do not think anything has ever been tossed out. There has not been a serious look at it from the standpoint the committee is taking now.

We are doing a massive job. If this is to be done properly, it is going to need a hell of a lot more staff than this man has. Are there two of you on the job? I do not know how much money is involved here; maybe millions of dollars in the disbursement of all these different agencies and commissions. It is certainly not the job of six or eight of us, who are busy as hell with other things, to come in here and make these decisions. It is totally unfair. We cannot do a proper job on it in 52 weeks or 104 weeks.

I agree with my colleagues that the cabinet does not want the people to whom we are not paying money involved in it. Conversely, if they are receiving government grants, they should be in the book. It is a hell of a decision for you, Mr. Chairman, and all of us to make. How thorough or intensive a job are we going to do? I sure as hell cannot see myself going through all this stuff and knowing what I am talking about.

Ms. E. J. Smith: On the point Mr. Sargent is making, we have to keep two things very clear here. Eddie has raised a good point that we should perhaps also raise with Management Board.

The first thing is the so-called schedule 4s. They are already defined as the minimum, as not having any money, including money in projects or anything else. They are not supported financially, from what we can understand. The schedule 4 classification will not include any one in which we have monetary involvement.

The second thing is that it is not the same as examining what we should be sunseting. This is where we have to be careful. There could well be some in schedule 2 or 3 that we might be looking at sunseting, even after this separation is made. In fact, from the point of view of saving money, those are probably the ones we should be looking at to see if they perform a function we consider outdated.

Sunseting is a separate problem from this schedule 4 classification that Management Board is looking at. We should not get the two mixed in our thinking. If we get Management Board here to address schedule 4, we might also ask if it is looking at the sunseting problems, and make sure that if it is, we are working along the same lines co-operatively. We do not want to find out that we and they are viewing sunseting problems without ever talking to each other. We might well put that on our agenda of things we want to talk to them about.

Mr. Chairman: We almost certainly want to talk to Management Board, I hope before any decision is made.

10:40 a.m.

My colleagues--and perhaps myself--are looking a little gun-shy. I have

to reflect back a couple of years and wonder what would have happened if, suddenly, the Conservative government of the day had said: "We are going to eliminate 70 or 80 committees. They are no longer part of the committees." Then, suddenly, in the paper it appears as, "Government cuts costs."

Ms. E. J. Smith: We share your concern.

Mr. Chairman: You know how you would have felt at that time. That is the way we are looking at it. Are you saying, "We have been in here a year and suddenly we have eliminated one third of the committees"?

Mrs. E. J. Smith: We do not see it that way.

Mr. Chairman: We do not want to either. I am suggesting that is the way it could appear.

Mr. Epp: As Ms. Smith has indicated, we share your concern. From our perception it is not something that is desirable, and that is why we hope the committee will agree to call someone from Management Board. As I mentioned, that was one of three options we had. I have no difficulty--and I am sure my colleagues do not--in calling somebody from Management Board to explain the proposed changes and to get a clarification from our standpoint. If it does mean that some of these would fall outside our investigative realm, then we would be in favour of changing the criteria so we would have some say with respect to those appointments.

Mr. Mancini: We may be discussing a problem that does not exist in real, practical terms. If we are talking about matters such as conservation authorities and possibly some hospital boards--John, you can help me--I do not think the past committee, in the years it sat as a committee, undertook to call in individual conservation authorities or individual hospital boards.

I do not believe we ever did that, simply because the number of agencies and commissions that were available to us to review was so great and so important and had such an effect on the way the government operated that we spent the majority, if not all our time, on those agencies and commissions.

I do not believe it was ever our intention to call in the Lower Thames Valley Conservation Authority to come and discuss local problems. We felt they had local appointments and had to be responsible to their county councils and regional councils. They were under constant review, and therefore, we centred our thoughts and actions on what we considered to be real provincial agencies and commissions. If we review the list of commissions we have taken the time to review, I think we will find that to be true.

If these commissions are going to be classified in such a way as to make us unable to review them, in theory it may appear that we are losing some of our responsibility. In actual fact, that probably is not the case. John, I would like you to help us here. I do not believe we ever reviewed that type of commission or agency. Did we?

Mr. Eichmanis: It is true that we have not reviewed the ones you mentioned. On the other hand, there have been a couple. The one that stands out in my mind the most is the Law Society of Upper Canada.

Mr. Mancini: That was not mentioned on the list.

Mr. Eichmanis: You will recall that the committee had a long

correspondence with the Attorney General at that time as to whether the Law Society of Upper Canada constituted an agency.

Mr. Mancini: As far as the Law Society of Upper Canada is concerned, the committee viewed it as a province-wide agency that had effect on the practice of law across Ontario. We did not want to review the Essex County law society. We were not interested in reviewing the Brampton or Mississauga law societies. We were interested in reviewing the law society of Ontario.

While I agree with you we had a minority of appointments on that agency and while there was a difference of opinion between ourselves and the Attorney General, it was the committee's view at the time that because it was a province-wide agency, we therefore had the privilege of calling in its representatives. After a thorough discussion with the Attorney General, it was finally said we could call them in, and we did.

I want to point out that it was not the Attorney General initially who said we should not call in the society. It was the law society itself. It felt it was above review by any committee of the Legislature. That being the only case and it being a province-wide agency, I do not think we can compare it to the local, regional agencies we may be talking about now. In theory, it looks as if we may be giving something up, but in practice, I do not think that is true.

Mr. Chairman: It should be borne in mind that our terms of reference are given to us by the Legislature, certainly not by Management Board. I would feel a lot happier if we had a clearer understanding from Management Board of its intention.

Mrs. Marland: We could be very productive if we looked at some other aspects of the whole subject of agencies, boards and commissions. It is my understanding, and you can advise me of this, that two or three years ago the provincial House decided that appointments would have limited terms and that you could not be reappointed for more than six years consecutively.

Mr. Chairman: It was a cabinet decision. It was not a legislated decision.

Mr. Mancini: That was not for all appointments.

Mrs. Marland: I am raising the point because if it were a board or a commission that had a two-year term, you could have two reappointments, a maximum of six, and then you would have to go off. I know the Ontario Police Commission is an example of that. Yet I see a lot in here where they do not even know the original appointment date. Sometimes they do, but there is no expiry date. I see a decision about appointments that was made by the cabinet, and it has not been followed through.

Mr. Chairman: It did not apply to all appointments, by the way. I cannot give you a definition of the criteria, but I know the police commissioners were one group that was locked in.

Mr. Mancini: One of the few.

Mr. Chairman: Yes.

Mrs. Marland: Was it only a few that it applied to? It certainly applied to conservation authorities.

Mr. Chairman: Yes.

Mrs. Marland: These books look formidable but when you look into them, so many are the same. Conservation authorities, hospital boards and police commissions take up most of these.

Ms. E. J. Smith: I was going to make the point that it is clarification we want. Whether we ever call someone before us, it is with the terms of reference and understanding in hand. We are a new committee and this is a new definition that is happening within the administration. We simply want clarification. It is easier to get it now than to wait until we are in a battle with a particular group. That would change the nature of it.

Both we and Government Services might be assisted by the office of the Clerk in this. It may be that neither we nor they are able to answer this question of the powers that come to us out of the legislation that sets up the appointments, as opposed to the powers that come to us out of the legislation that sets up our terms of reference. There are the two things, one of which would be rather easy to fix, but the other would be more difficult to fix if it comes out of a lot of different pieces of legislation.

It would be useful, while we are at it, to try to get some input from the Clerk.

Mr. Mancini: Other than the law society, whom did we have a chance to review out of this potential group over the past number of years?

Mr. Eichmanis: Of the ones where it is a minority?

Mr. Mancini: Of the ones we may be speaking of now.

Ms. E. J. Smith: Of the 40 that--

Mr. Chairman: We do not even know who they are yet, do we?

10:50 a.m.

Ms. E. J. Smith: We do not know.

Mr. Eichmanis: There was the law society and the Toronto Stock Exchange with a board of approximately 10, of which the government appoints two public interest or provincial members. I do not know what you do about something like the Niagara Falls Bridge Commission where it is exactly half.

Ms. E. J. Smith: Administratively, we were told that majority was not a criterion, but this needs clarification. We have two categories here, no money, no administration. Both of those could be moved into schedule 3 in order still to be considered agencies. Until we get the people here who can answer these questions, and a list, maybe this is what--of those we looked at recently I do not know which are so important within the terms because we can only look at 10 a year and there are 500. Those we looked at become incidental.

Mr. Mancini: That is right. That is the main point. We have so many other things to look at.

Mrs. Marland: Whether there is money and the number of appointments should not be relevant. The point is, if it is an official agency, board or commission functioning in this province, it has stature and authority, and as

such has to be accountable to the people of the province. Whether it is funded, whether the province makes the majority or minority number of appointments, if it is accountable to the province, it has to be accountable to this committee. That is the purpose of this committee.

I do not see this as a new committee. It is new only inasmuch as it is dropping procedural affairs. Reviewing agencies, boards and commissions has been the mandate of this committee for a long time.

Ms. E. J. Smith: I completely agree with that.

Mr. Chairman: To a degree we are tilting at windmills because we do not know what we are fighting for or against.

Mrs. Marland: Right.

Mr. Chairman: I would entertain a motion from the committee that we invite someone from Management Board to explain what is happening, why and where that leaves us.

Mrs. Marland: I move that motion. Since we understand they are considering recommending to this committee which ABCs would continue under the purview of the committee, we would certainly like to know their position.

Mr. Chairman: You move that we invite someone from Management Board to discuss this with the committee.

Mr. Epp: To explain the proposed changes regarding certain agencies to which the province makes appointments.

Ms. E. J. Smith: There is a big difference in the two suggestions, and I support this one. This is not political, but you said they will recommend to this committee. We do not know they plan to recommend. We are asking them to explain what they are planning, rather than including--

Mr. Chairman: Can we leave it that we invite them to come and talk about their plans?

Mr. Mancini: Yes.

Mr. Chairman: It is as simple as that. We will find out when they get here what they--

Ms. E. J. Smith: Could you add, if they consult with the office of the Clerk its effect upon this committee before they come?

Mr. Epp: That is right.

Mr. Chairman: Do you want them to do that, or do you want the Clerk to do that?

Ms. E. J. Smith: Let them do it.

Mr. Epp: It does not really matter, but you may want a separate motion. We are prepared to make a separate motion that the Clerk determine the effect of the change on the criteria as it affects the responsibility of this committee to call before it certain agencies to which the province makes appointments--

Ms. E. J. Smith: Certain groups.

Mr. Epp: Certain groups to which the province makes appointments.

Mr. Chairman: Will you be able to get clarification on that when we do not know what the actual problem is?

Clerk pro tem: I will wait for clarification.

Mr. Chairman: You could not possibly find out the impact on this committee until you find out just precisely what Management Board is planning.

Mr. Epp: Not necessarily. The province is not saying, to the best of my knowledge, that it will no longer make appointments to certain groups in this province.

If the criteria of this committee are such that we investigate any groups--agencies, boards or commissions--to which the province makes appointments, that does not affect our right to in the future. If the criteria say, for instance, that we investigate only provincial agencies, boards and commissions, and these then fall from that list for administrative purposes, that changes our right to call them.

The clerk can find that out quite easily. We do not need the clarification from Management Board first.

Mr. Chairman: Do you have one motion out of all that?

Mr. Swart: What is it?

Mr. Epp: Mel, you can vote for it, and you will not have any problem with your colleagues.

Mr. Swart: When you tell me that, it makes me sceptical right away.

Mr. Chairman: I have never lied to you before, Mel.

The intent of the motion is that we invite someone from Management Board to come before this committee to explain its intention in regard to the matter we have been discussing for the past half hour.

Mr. Swart: I was not here for the past half hour. That is why I was asking the question.

Mr. Epp: It is a mattter of calling somebody before the committee.

Mr. Swart: I apologize. I had another meeting.

Mr. Epp: In all fairness, Mr. Swart, we do not want to go through the whole thing again, but it is a matter of calling somebody from Management Board before the committee to explain certain changes it will be proposing with respect to agencies, boards and commissions. If you want to, we can clarify it for you later, but I would hate to spend another half hour going through it. I do not think you will have any problem with supporting bringing somebody from Management Board to explain some of these changes.

Mr. Swart: The more information we get, the better.

Motion agreed to.

AGENCY REVIEW

Mr. Chairman: We are on item 2, the survey of lesser-known agencies.

It was suggested at our meeting last week that we write to the lesser-known agencies, boards and commissions to do a bit of a survey on how many times they have met, and that sort of thing, for information. Mr. Eichmanis has come up with a list of approximately 70, to whom a letter should go from the chairman of this committee requesting certain information about them. If you have had a chance to look it over, there is not much point getting into an individual debate about these 70 groups. These are the recommendations of the research officer, as was authorized last week.

Mrs. Marland: I would move, Mr. Chairman, that letters be sent over your signature, as chairman of the committee, to the groups on this list. As discussed at the meeting last week, the letter should be very positively and carefully worded, so they are not going to feel as if they are being investigated; it is just to ask them for information about the number of meetings they hold annually--

Mr. Sargent: To show cause.

Mrs. Marland: No. We do not want to say that. I think we all agreed last week that it has to be a very positive letter, yet we have to get the information we want.

11 a.m.

Mr. Chairman: If I may, the clerk has prepared a draft. You will recall the committee authorized the chairman to go ahead and write the letters. I have a suggestion here for your approval.

Mrs. Marland: Good.

Mr. Chairman: It says:

"Dear Whomever:

"I am writing on behalf of the Ontario Legislature's standing committee on government agencies. The committee was established in April 1986 to review the operation of agencies, boards and commissions and certain corporations with a view to reducing possible redundancy and overlapping. A complete list of our responsibilities is included in the attached terms of reference of the committee.

"In order to obtain a general profile of the activities of government agencies, the standing committee has agreed to undertake a short survey on a number of agencies, including your own. The survey consists of the following two requests: Would you please advise us as to how many meetings were held by your organization in 1985? Would you please provide us with a copy of the minutes of the last meeting held?

"All correspondence should be addressed to the standing committee on government agencies, room 110"--blah blah.

"Your assistance would be helpful to the ongoing work of the standing committee."

Signed, "Bud Gregory, MPP, chairman of the standing committee."

Mrs. Marland: That is exactly the kind of letter I do not want to see sent. That entire paragraph is saying: "The axe is coming. The guillotine is coming. If you have not had enough meetings, you are not going to get your head out fast enough. You are gone." That says exactly what I did not want it to say.

It is saying we are established to look at "redundancy and overlapping." My God, they are going to be running with their tails between their legs and trying to find out whether they had six meetings and saying, "Maybe we had 12 if we include the one we held in the washroom." It is the wrong wording totally.

Mr. Chairman: I am sure we can get 11 different letters from all the members of this committee.

Mr. Mancini: I think Margaret is correct. The basic letter is okay. The words "redundancy and overlapping" perhaps are a little strong. If we can eliminate those words and fit something else in that paragraph, the letter may be able to stand. We basically want to review what they are doing.

Mr. Epp: Why do you not simply say we are trying to compile some basic information on the agencies, boards and commissions of Ontario, and we seek their co-operation to get that basic information.

Mrs. Marland: That is good.

Mr. Epp: The other point I would like to make is that although it is technically correct that this committee was established in April, I think you should say in brackets it is the former standing committee on procedural affairs and agencies, boards and commissions. They are going to say, "What other board did we meet before or whatever?" Some basic information is what we want. It is a continuation of some of the functions that the previous procedural affairs committee had.

Mr. Mancini: As I look at the list, we have already reviewed some of these, have we not, John? These people will be hearing from us for the second time; so it is important that they know we are an offshoot of the other.

Mr. Sargent: I would like to voice opposition to that. I think we should tell them, "The honeymoon is over; get off the pot."

Mr. Swart: You are mixing your metaphors.

Mr. Chairman: How does this sound? In the first paragraph it is possible to change this to read: "I am writing on behalf of the Ontario Legislature's standing committee on government agencies. The committee was established in 1986"--"formerly known as" whatever in brackets--"to review the operation of agencies, boards and commissions and certain corporations. A complete list of our responsibilities is included in the attached terms of reference of the committee."

Ms. E. J. Smith: "This committee was established to take over the responsibilities formerly performed by"--

Mr. Chairman: We can make that point. Any problem with that?

Mr. Mancini: No.

Mr. Epp: I have one further suggestion, and that is to put a deadline on when you want it back. We need to know here within the next month or two. If you do not put a date on it, six months later they will still be dribbling in, or you will be calling them and saying, "Get it in." You will be doing that anyway, but at least you will have a deadline after which you can start phoning them to say: "Look, you were supposed to get it in last week. We still do not have it." Not quite that forcefully, but that is the intent.

Mr. Chairman: You agree now with the first paragraph?

Mr. Epp: Yes.

Mr. Chairman: In the second paragraph, where we outline it and ask the questions, could we somewhere there put a deadline on it?

Clerk pro tem: Yes.

Mr. Swart: I suggest June 15 for the deadline.

Mr. Chairman: Do you think that is time enough?

Mr. Epp: It is three weeks.

Mr. Swart: We are not asking them for a lot of information. It is just a question of trying to--

Mr. Chairman: Some of them might have to quickly compose some minutes.

Mr. Epp: The other thing is that if you give them two or three months, until August 15 or something, all of a sudden they put it off until August 7. If you have the deadline early, they will get it, send it in and it is done. If necessary, send them a self-addressed envelope so they can get it in.

Mr. Chairman: Okay, so we add that. Is June 15 agreeable?

The last item on the agenda is the selection of agencies for review. I would like to offer a suggestion at this point. We may be able to shorten the selection process. Last week we had two suggestions, possibly three, Mr. Swart. There were other suggestions. We probably will not be able to handle more than 10, 11 or 12 agencies in a year; that is, the summer session and the winter session.

To save a lot of wrangling, perhaps we could ask each member of the committee--there are 11, including the chairman--to submit the name of one agency, board or commission that he or she would like to see reviewed. Subject to approval by the committee, and barring any really strong reasons why a group should or should not be done, it might shorten our selection process.

We are probably going to get into a pretty long wrangle about narrowing it down to 10 or 11 if we do not do it that way.

Mrs. Marland: That is a good idea.

Mr. Swart: I agree with your suggestion. I assume, following from this, that if you get two or three names from each member, those will also be thrown into the mix. We may want to look at some of these, depending on the letters we get back.

I presume we do not have to make the whole selection in June. As we proceed, we can pick additional agencies we want to look at. If we have two or three to start with, and can get the information in ahead of time, we can deal with those and then go on from there.

Mr. Chairman: That was not the gist of my suggestion.

Mr. Swart: Then I would like to hear exactly what you are proposing. I am sorry if I misunderstood what you said. I thought the two or three suggestions from the members were to be thrown into the whole mix, but there would be other criteria, as we discussed last week--redundancy and other things--before we made our final decision.

Mr. Chairman: My suggestion was that each member submit the name of one agency, board or commission he or she would like this committee to review. In other words, the committee would accept one suggestion from each member. In that way, we can very quickly get 11 suggestions in. We can determine from that which half we could do--perhaps six during the summer and the other five in the winter session.

That way, everybody should be somewhat satisfied. Each member is getting a crack at one group that he or she thinks is of particular interest. We would save a lot of wrangling on how we narrow everybody's three suggestions down to 11 or 12.

Mr. Epp: I am concerned about that suggestion, for two reasons. One is that the composition of this committee changes from time to time. For example, Mrs. Marland may have one she wishes to examine. Six months from now, when we get down to discussing it, she may not be a member of this committee. What you have done is you have picked one that she wanted--I am not saying it does not warrant study, but you picked it because that happened to be her hobbyhorse, or you picked one because it happened to be mine, and all of a sudden, the whip does not like me on this committee, and she switches me to another committee--I am kidding.

Ms. E. J. Smith: Do not be too sure.

Mrs. Marland: Surely each caucus is going to have its choice. I think that is how it is going to work.

Mr. Epp: If that does not sell you on it, let me try another thing.

I suggested a week or two ago that we might look at some interlocking agencies, boards and commissions. We have three: the Environmental Assessment Board, the Environmental Appeal Board and some other one in that ministry. We were looking at trying to find out whether they were overlapping and so forth. If some of them were redundant, we might be in a better position to eliminate some of that redundancy or overlapping.

I know you will say that one caucus can get together and put in four for a particular ministry, but if everybody gets his or her own hobbyhorse, that is not likely to happen.

I would like us to look at one or two ministries, get two or three that overlap in that area, and then pick some others. I know that eliminates everybody getting his or her own particular one in, but it may be more meaningful for this committee, and we may accomplish much more at the end by looking to see if there really is overlapping. You cannot do that if you study one this year, another one year from now or another one two years from now.

11:10 a.m.

Mr. Swart: I am a little confused by your recommendation, in the light of the discussions we have had at previous meetings. I was under the impression that we were going to get this report and send out the letters as part of the process of determining which agencies, boards and commissions we were going to investigate.

I agree with having the members make suggestions as well, whether it is one or whether it is two; I think they should be thrown in the mix. But if we say each member will submit one name and we have 11 boards and agencies, then what use is there in getting this information in for our study this summer or next winter? We should have that information in, the answers to this and the suggestions by the members. We should use the criteria we talked about on numerous occasions for whether they are active or whether there is overlapping. We should throw them all into the mix and then determine which ones we want to investigate.

If we are going to be held up by the replies from this, I am quite willing to have one, two or three suggestions for us to start on during the summer. I suspect we will not be starting on this until the break. Am I wrong? Are we starting ahead of time? It does not make much difference.

I do not think it is a practical solution for the problem that we face to say that each member will pick one. This is a largely nonpartisan group that is looking at these boards and agencies; we are just trying to have some greater efficiency in the government operation. Therefore, I would not now go along with your suggestion that we abandon all the things we have discussed so far and have each person suggest one board or agency.

Mr. Chairman: As a matter of clarification, two recommendations came out of this committee last week. The first was that we pick some agencies because we were not sure how often they had met and that sort of thing. The staff came up with a list of 70 groups we should write to and ask what they have been doing. That was part one. The second recommendation was that we come in with recommendations for the groups to investigate this summer and winter. It was a two-part thing; one was not attached to the other in any way. We were not depending on the answers back from these letters to determine which agencies, boards and commissions we were going after.

We can take as long or as short a time in this selection process as we want to. My suggestion is simplistic, very true, but it might just work. I can see us on this committee, as we have spent this morning, pecking away at a couple of items. We can take a long time narrowing down and getting agreement in committee on what we are going to investigate.

My suggestion was, since we have seen we can handle 11 or 12 commissions, in all fairness, why should those recommendations not come from the individual members? Some of the concerns of the Liberal Party are not the same as those of the New Democratic Party. Certain concerns of the Conservative Party are not the same as those of the Liberal Party. If we had suggestions from each member, we could cut down an awful lot of time; we could probably select them no later than next week and enable our staff to go to work on them.

Mr. Swart: On a point of order, Mr. Chairman: I did not make the same interpretation as you with regard to the lack of connection between the two resolutions that were passed. I thought there were two methods of getting

before this committee the agencies, boards and commissions we would be considering to pursue this year. There were two methods, but for the same thing: to determine what would be on the table. Quite frankly, I think my interpretation is correct.

Mr. Chairman: I am sorry to dispute that, but we made it very clear last week, and I asked for clarifications on several occasions before we did it, that this was a two-part exercise; one was not dependent on the other. The first part, the letters, was to get information from commissions. The second part was to come back with suggestions as to commissions. You gave three last week. If you consider the total we can handle is 11 or 12, then you are obviously not going to get all three. I am suggesting that a fairer distribution will be for each member to have a right to name a commission.

Mr. Swart: What is the use of sending out the letters if we are not going to deal with any of these issues?

Mrs. Marland: It is unfortunate that what we are doing this morning is what so many committees do: make a camel out of a horse. Your suggestion is straightforward, simple and equitable, and whether the committee members do it by caucus or by individual choice is up to them.

The answer to Mr. Swart's and your concern about this list is that if you want to take your three all from this list, or take any number or none from this list, regardless of whether you have the replies to that list, it is up to you. There may be one or two that you are interested in in any case. That is your choice. The suggestion on the floor is a very good one. If you want a motion to that effect, it needs to be in this direction. This is a very easy way for us to do it.

Mr. Mancini: We have to realize just how big our job is on this committee. As we look at the lengthy list of commissions and the many interesting things they do, we all salivate a bit in terms of getting a lot more than 10 or 12 in a year and finding out what they are doing. The past committee always wanted to do more than was possible. That part of this committee's job is never going to change. We are never going to be able to review the vast number of agencies and commissions that we would like to review.

The idea of getting information through our letters to these agencies is an excellent idea. It will at least always serve the committee as a form of research, and possibly as a source of agencies we may want to review in coming years.

A second point I would like to make is to endorse the suggestion of the chairman that each member sit down and choose and submit a name, and thereby put forward to the committee something he or she finds vitally interesting because of his or her background, because of his or her current responsibilities in the Legislature or because of something that a constituent or group has informed the member about. I endorse the chairman's suggestion about sitting down and submitting a name.

I would like to make another point about sunset, reviewing and overlapping. We are going to be surprised at how few, and I mean very few, of these commissions we will finally agree to sunset. We will also be surprised by the lack of overlapping and by the impartiality we associate with some of

these commissions. As we go along, we are going to be surprised in those three areas.

As chairman, you have been very fair and I want to endorse what you have said as far as choosing an agency is concerned. I am going to choose one from the list we have in front of us. Many of these agencies are agriculturally oriented and some are oriented towards the universities and colleges. These are areas I am interested in, so I do not have any problem in choosing one from the list we have.

11:20 a.m.

Before I conclude my remarks, I would like to mention that this committee should be careful not to review an agency or commission, unless there are some interesting reasons why we should, if we have reviewed it within the past two years. I cannot see any value in calling in someone this year to whom we talked last year. That is the only criterion I would suggest.

Ms. E. J. Smith: I also support your proposal as a practical one to get us moving, but Mr. Swart has put forward a valid point that could be incorporated in what we are doing. As we went with two thrusts from the last meeting, we should move ahead with two thrusts. Let us each submit one. That gives us an immediate start and we can do it, as you say, by talking to our caucuses. Let us select from the group an initial five rather than 10 or 11. It gets us started and leaves room to deal with the second part of our agenda, to which Mr. Swart has drawn attention, the results of this questionnaire we are sending out. We will have room to move when we get those results. It is not necessary to pick 10 now. That would satisfy both points.

That is all we need to incorporate in the motion, but I feel committed to say that at the next meeting we should at least attempt to pick one from each caucus when we reduce them to five. We will look at that then. I am willing to say that now, but not put it in the motion.

Mr. Chairman: By way of explanation, the reasons for picking 11 were twofold. There are 11 members on the committee, which makes it simple.

Ms. E. J. Smith: We may get some overlaps.

Mr. Chairman: We might. The second and more important reason is that if the research staff is given the group of 11, they can begin the initial work on them in various stages. I do not see anything wrong with your suggestion about zeroing in on the first six we are going to do, perhaps for the summer. There is no reason they could not proceed with work on the second five. Having said that, there is no reason why this committee, during its deliberations, cannot make substitutions on the latter five at a later time. At least the research staff would have begun.

Ms. E. J. Smith: If you put on another hat and pretend you are one of those six others, if we can get five ready for next fall, why do we need to start on the six this far ahead? If you are on the sixth, or seventh or 10th committee, you may never come before us. The research staff is knocking at your door, and then we take time with this other list instead because we have a double agenda here. We would have created unnecessary anxiety because we would never get around to speaking to them. By the time we get to the end of three, we should have added three more. I do not see starting on 11 because we cannot do 11 all at once.

Mr. Chairman: There is the element of fairness, so that each caucus is properly represented. The second part is that while the research can be done reasonably quickly for the first six during our investigation, there is nothing wrong with the research staff starting work on the next five in its spare time. They would not have to begin until well into the fall. Number one is fairness, that everybody on the committee gets a share of the proceedings. I see no value in the other method. We will end up with a couple of meetings debating which five of the 11 we are going to eliminate.

Ms. E. J. Smith: Are you starting on all 11 at once? You will have to put a priority on it.

Mr. Chairman: If a person happens to be in the second five, it will be of some satisfaction to know that his or her committee is going to be investigated. For example, if I pick one and in its wisdom this committee decides we will not do it until the winter, that is fine. Lots of things can happen before next winter, but at least I would have the satisfaction of knowing that my nominee is on that list.

Ms. E. J. Smith: We were sent home with two questions, two parts for our agenda, and I agree they were totally separate. If we had only one part, how many agencies could we have dealt with? Since we have two parts, how many can we deal with? I agree with Mr. Swart that we should be leaving some of our time to deal with the second half of our agenda. I am willing not to bring in a recommendation to the committee myself so as to allow some time.

As we have two things on the agenda, we have to save some time for both. That is the place where I agree with Mr. Swart. I agree with you, but if 11 take up all our time, then I think we somehow have to choose, even if it is only by throwing them in a hat. The way I suggested fairness was by making sure that of the first five, one came from each caucus. That was my way to try to resolve the fairness. Some time has to be left for the other part of our agenda, which is going to be created by all these letters we sent out.

Mr. Chairman: The numbers were determined from two sources. One was the recommendation of the research staff that they could not handle any more than five or six in a session, the first session being during the summer break and the second session being during the winter break.

Ms. E. J. Smith: So 11 or 12--

Mr. Chairman: Five or six, multiplied by two, ends up 10 or 12.

Ms. E. J. Smith: This leaves us no time for the other half of the agenda.

Mr. Chairman: Please let me finish. As I mentioned to Mr. Grande last week after the meeting, the fact that happens to coincide with the number of members on the committee seems to me a rather simplistic solution to our quandary. If we pick the 11, at least we have some course of action as to where we are going. The committee has to make the decision. If we decide that we are going to banter back and forth about which six of the 11 we are going to pick first, we cut down our problem somewhat, but do not totally eliminate it. I do not understand what causes you so much difficulty in picking 11.

Ms. E. J. Smith: It is simple. Mr. Swart has made the problem clear. We have sent out 70 letters and we are not going to deal with the information. I do not agree with Mr. Grande's suggestion that it will be dealt with some

time in the vast future because all the people on these agencies may change by then. If Mrs. Marland wants to make a motion that we get in the 11 in the prescribed way, I will be glad to amend it to say that time be reserved by the committee to deal with the second agenda item. As long as that is part of the motion, I will vote for it. Having sent out 70 letters, we have a responsibility to reserve the time of the committee to deal with those letters when they come back, and I support Mr. Swart on that.

Mr. Chairman: You are quite right and I am not trying to be difficult. We have the summer break when traditionally the committees sit and actually do the interviews. We also have sessions when the House is sitting.

Ms. E. J. Smith: I know that.

Mr. Chairman: We have to have something to do and we could divide it either way. The results from the letters might not provide any work for us at all.

Ms. E. J. Smith: That is right.

Mr. Chairman: However, it could be handled. As a matter of fact, we are not going to be ready to start a full investigation of any committees at least until the summer break. Perhaps we can deal with the answer to the letters in the time working up to that. If we do not do that, I do not know what we are going to do with the next series of Wednesdays.

Ms. E. J. Smith: We will not get the answers in for the next series of Wednesdays. We have a happy solution if Mrs. Marland makes the motion, and I make the amendment that time be allowed for the second agenda item. Then we are all happy.

Mr. Swart: Is there a motion on the floor?

Ms. E. J. Smith: Not yet.

Mrs. Marland: I did say that I would move what the chairman was suggesting, which was one agency per member.

Mr. Chairman: Will you include Ms. Smith's--

Mrs. Marland: I will include that necessary meetings be set aside to review the responses to the letters.

Mr. Swart: I am not sure whether this motion implements the suggestion of Ms. Smith. I would like to see. I will go along, although I am not sure we need to pick even five at the beginning. If the motion says that we ask each member of the committee to submit the name of one agency, board or commission, and from that this committee will select the first five we are going to deal with, and that subsequently after the letters are received in reply to this we will determine the rest of our agenda, I will support it. However, does the motion not say we are going to take these 11 now and make a decision to accept all of them, and then, perhaps at some subsequent date after the letters come in, change them? That is not good enough for me.

11:30 a.m.

Mrs. Marland: Let us vote on the motion then.

Mr. Swart: What is the motion? That is what I do not know.

Mr. Chairman: Mrs. Marland moves the chairman's suggestion that each member submit the name of one agency, board or commission and that they be the basic 11 for our investigations.

Mrs. Marland: I am including--

Mr. Chairman: Mrs. Marland has included Ms. Smith's suggestion that time be reserved for the investigation of the results of these letters as they come in.

Ms. E. J. Smith: On a point of order, Mr. Chairman: If Mr. Swart so wishes, he can make an amendment to it that would say, "and that five be selected and six held in reserve of the original 11". I might forewarn you that this could be another amendment, and I would support it.

Mr. Swart: There is some difference between the two, and we do not have a written resolution. That makes it difficult to amend. I am not sure whether the mover is willing to incorporate that in her motion.

Mrs. Marland: What I am now willing to incorporate is that after we select one each, then we go back, renash it and change it all, because Remo's point is very well made that, if we sit from here until doomsday, we still will do well to get through 11.

If you look at the list that the staff have selected, we will find that if we spend a whole meeting or two entire meetings dealing with the responses to these, we could then make a decision about which of those should be reviewed in the next group after the 11. To spend one or two meetings as a committee reviewing their responses would give us a very clear direction about where we should go with this list.

The motion that it be one per member and that the committee agree to spend the necessary meeting time to review the responses to this list puts us where we need to be.

Ms. E. J. Smith: Let us have a vote. We have all said our points of view, and I will support the amendment.

Mr. Swart: I would like to move the amendment so we have it clear. The resolution started by saying, "That each member be requested to submit one agency, board or commission to this committee." I would like to delete everything after that and insert, "and that five be selected from the 11, and that the final determination on the subsequent agencies, boards and commissions to be investigated by this committee be made after the replies to the letters that have been sent out to the selected agencies are received."

Mr. Chairman: That is not an amendment. It is contrary to the original motion.

Mr. Swart: No, it is not.

Ms. E. J. Smith: May I try an amendment that might not be contrary? I move that each member submit one, and that six then be dealt with immediately and the other five be reviewed along with the responses to the letter.

Mr. Swart: That is the same thing.

Ms. E. J. Smith: Does that catch what you are saying?

Mr. Swart: Yes.

Ms. E. J. Smith: Speaking for my amendment, I suggest that we not debate which six or five of the eleven but that we all have a little point system. We can work that out next time. You as chairman could work out a system by which we could prioritize them instantly. At that time, I would suggest we make sure we have one from each caucus. Rather than discuss them, we could just do it that way.

Mr. Chairman: Ms. Smith has said is basically the motion of Mrs. Marland: "That each member submit the name of one agency, board or commission, and that from that group, five be prioritized for immediate investigation."

Ms. E. J. Smith: Right.

Mr. Chairman: Okay so far?

Ms. E. J. Smith: Right.

Mr. Chairman: "And that six be held in reserve for possible investigation in the next session, along with the results from the list of letters that we sent out." Is that basically what we are talking about?

Mr. Swart: That is exactly the same intent.

Mrs. Marland: We might as well go along with it, but if yours is not in that five and if it is done later down the road because of something being added out of here, you would forget it.

Mr. Chairman: I do not think that was the intent. The idea was that we still carry on with our two-part program. We are giving priority to five. We have every intention of investigating the other six, but we will make sure the results of the letters are also investigated.

Ms. E. J. Smith: You would say we are going to look at those, then?

Mr. Chairman: Yes.

Mr. Epp: Without trying to play semantics, I would just change the "possible" to "probable," that is all. You said we have every intention of doing it, so let us make it "probable."

Mrs. Marland: Okay. There is one other thing that will make it just a little fairer. If we prioritize six, at least it is two per caucus. Okay?

Mr. Chairman: Six first and five second, or five first and six second; it does not matter. Are you agreeable to doing six first?

Mrs. Marland: Yes.

Mr. Epp: Make it six.

Mr. Chairman: All right.

Mr. Swart: I think this is going to be accepted, but I want to make one point here, if I can. I have a little concern about what appears to be the partisan connotation on these. I can understand that all of us have agencies we may think need investigation, but I would like to think that in this committee there is very little in the way of partisan politics in investigating and determining those we want to investigate.

Mrs. Marland: There is none.

Mr. Chairman: Your remark probably resulted from Mrs. Marland's suggestion about two per caucus. I do not think that was intended as two actual ABCs per caucus, because in the first six recommendations there might well be none from the Conservatives or none from the New Democrats.

Mr. Swart: Yes. I want to look at it impartially, if I can.

Mr. Chairman: We are talking in terms of numbers rather than being political.

Mrs. Marland: Oh, yes. The reason I enjoyed this committee last year was that it was nonpartisan.

Mr. Chairman: I have accepted a motion, and the chairman is going to call a vote on it. All in favour? Any opposed? Unanimous.

Motion agreed to.

Ms. E. J. Smith: Thank you. I do not even have an agency in mind, if people are concerned about partisan politics.

Mr. Chairman: I have nothing else, unless there is further business before the committee.

Mr. Eichmanis: Just from the staff's point of view--

Mr. Chairman: You are going to throw the hammer in now, are you?

Mr. Eichmanis: Do I understand that next week the committee will actually make the decision about the 11 ABCs and then the first six? All the members are going to--

Mrs. Marland: Bring them next week.

Mr. Chairman: Can I ask one member from each caucus to make sure that all of his or her members on the committee have those submissions for next week? If we diddle around any longer--

Ms. E. J. Smith: If they do not bring one, we have one less. Put it in the second category.

Mr. Chairman: That is right.

Mrs. Marland: I just want to comment on this. The members of the committee received a memo from Doug Arnott about agencies selected for review by procedural affairs committee. This memo lists four that were selected for review but not reviewed. Mr. Epp and Ms. Smith should know this, because they were not on the committee last year.

The list in this memo includes the Canadian National Exhibition Association. That was reviewed last year. I just want to tell you that. If you got this memo and read this, you should know that the CNE Association was reviewed last year.

Mr. Epp: By this committee?

Mrs. Marland: By the procedural affairs committee.

Ms. E. J. Smith: When the time comes next week for discussing which ones we review--and we should do it in the quickest and most expeditious manner--I will certainly be happy to cut off anything that was reviewed in the last two years. I have no preconceived notions. At that point we can have a quick vote by numbers or something.

Mr. Chairman: It is nice that none of us has any preconceived notions. We will probably move very quickly next week.

The committee adjourned at 11:40 a.m.

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Government
Publications

STANDING COMMITTEE ON GOVERNMENT AGENCIES

MANAGEMENT BOARD OF CABINET
AGENCY REVIEW

WEDNESDAY, MAY 28, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Also taking part:

Newman, B. (Windsor-Walkerville L)

Clerk pro tem: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Management Board of Cabinet:

Gillespie, G., Senior Policy Officer, Management Practices, Management Policy Division

Alfieri, D., Executive Co-ordinator, Management Policy Division

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, May 28, 1986

The committee met at 10:11 a.m. in room 228.

MANAGEMENT BOARD OF CABINET

Mr. Chairman: We have with us Dominic Alfieri and Gillian Gillespie. Mr. Alfieri is the executive co-ordinator, management policy division, Management Board of Cabinet. Mrs. Gillespie is senior policy officer, management practices. Thank you for coming at our invitation. We certainly would like to clear up this matter of whether we deal with those agencies, boards and commissions which are in sort of a never-never land.

Mr. Alfieri: Thank you very much for your kind invitation. We are very pleased to be here today to address the issue of the definition of agencies and to clarify any concerns or issues that may still be outstanding. With me is Gillian Gillespie, who has been working on the new revised policy to determine what is true to whatever level of detail the committee wishes.

By way of introductory statement, I wish to indicate that we have looked at the situation concerning the differences between the board's definition of an agency and that which is perceived by this committee. We are satisfied that there is absolutely no impact from one to the other. The Management Board of Cabinet Act requires the board to establish and regulate ministries and agencies for administrative purposes, whereas your committee derives directly from the Legislative Assembly Act. Included in your mandate is the review of all organizations to which the Lieutenant Governor in Council makes appointments. Basically, our interest in ministries and agencies is primarily an administrative one, whereas yours goes well beyond this limited scope of Management Board.

We did revise the definition primarily to exclude from the purview of the administrative practices of the board those agencies or boards for which we did not have the majority of members or over which we did not have the type of control that Mrs. Gillespie will be in a position to explain in detail. We are very satisfied that anything we have done has absolutely no legal, nor any practical, implication for the role and function of this committee. In preparation for this meeting, we have also sought our own legal advice from our solicitor, who has confirmed the fact that the two have no direct relationship to each other.

The definition, as we see it from Management Board perspective, more closely reflects the board's legal entitlement to oversee the operations of government and related agencies. Of course, the office of appointments will continue to provide this committee with an ongoing list of all agencies, boards, commissions and corporations and any other organization to which the Lieutenant Governor in Council makes appointments. You will be able to continue to schedule your work as you see fit. Our feeling is that the definition has in no way any impact on your role.

What we would like to do, depending on how much time we have, is go into a presentation giving some of the history and the reason for what we do, and then perhaps have a bit of discussion and answer any questions you may have.

Mrs. Gillespie: To provide some context for the new policy, for historic purposes, the policy revision really got started following the receipt of the management and accountability study in December 1984. That study looked at the whole management of government. It did not look at agencies specifically, but it set some general directions for all policies of Management Board in the future and of the operation of the ministries.

With regard to our policies, it suggested that we clearly separate policy directives from general guidelines. In the current Manual of Administration, these are included together. On occasion, guidelines were actually used as policy as well. There had been quite a clear separation of those two. It was felt that generally the Manual of Administration was not clear to the reader and that any new policies stating the directives should come out very clearly; they should be concise and easy to read. The policies should give a specific delineation of responsibility, clearly outlining the roles of all the key players in that particular policy, and any accountability relationship should be set out. That was a series of parameters given in this policy revision by that study.

In addition to the management and accountability study, there was a study done on Ontario agencies by Don Gracey. That was reported in July 1985. His study was in two parts. The first part dealt with the administration of agencies and the second part dealt with privatization. The second part was the part that Mr. Kruger has continued to work on.

With regard to administration, the report noted that the definition of an agency, as currently stated, needed clarifying because it pulled in a number of organizations that were not immediately part of the Ontario government ongoing operation. It again said that we should clarify the responsibilities of the government and of the agency personnel, that we should ensure that the mandates of agencies are clearly established and that appropriate levels of control are then put in place.

Those two reports provided the background for the revised policy. The general assumption made by the staff of the Management Board's secretariat was that the policy revision was not an exercise to reduce the number of agencies--that was not the purpose; the purpose was to get better and clearer administration--but that we would obviously retain the concept of ministerial accountability for agencies within their jurisdiction. We would retain basically the same criteria for determining whether an agency was advisory, operational or regulatory. The features of the individual schedules to which they were assigned would remain the same, although the schedule 4 category is no longer there. The policy would attempt to strengthen the accountability structure because it would define roles for the key players, and we would set in place appropriate levels of control.

Our final assumption was that Management Board and the secretariat would continue to be the central co-ordinating unit, Management Board for the approval of agencies, the establishment of agencies and the proof of documents, and Management Board secretariat as the group that developed the policies, administered them and maintained the inventory. That was the context within which the policy revisions took place.

The new policies are divided into two sections, the first on the establishment of agencies. This is the area where I think the definition came in. The definition of an agency, for management and administrative purposes of Management Board, would be an organization formally established by legislation, regulation and order in council, and to which a majority of members is appointed by government. It will also be a corporation where the government holds 50 per cent or more of the voting shares and/or, to take account of nonshare corporations, appoints 50 per cent or more of the members. An agency obviously will continue to be primarily advisory, operational or regulatory.

10:20 a.m.

The policy sets out certain principles that should guide the establishment of any agency. These are principles that a ministry should understand. There should be a justifiable need for agency status, a justifiable need why an agency rather than a branch of a ministry should conduct the function. The most usual reason for agency status is the need for some independence in decision-making, either to hear appeals of a government or third-party decision or to regulate according to some government legislation.

Bodies such as the Ontario Municipal Board and the Health Disciplines Board derive their authority from that need to be separate from government. Operational flexibility is obviously important for agencies operating in competition with the private sector and for some agencies that are not in competition with the private sector but need a degree of operational flexibility that normal ministry process does not allow. Bodies such as Ontario Place and the Ontario Northland Railway would warrant that.

The final reason, and one of the reasons used often by government, is the need to involve the public to obtain expertise from interest groups and other parties in the work of government. Obviously, there are many advisory committees established for that purpose.

The other principle relates back to the definition of an agency. Agency status would be accorded where government intended to or wished to exercise a degree of control either by appointment or by ownership. The issue of control is always difficult because, on the one hand, they are given a degree of independence from government, but on the other hand, the minister is accountable. It is walking a fine line. The guidelines address this in quite a lot of detail.

The effects of formal requirements of the policy in terms of agency form is the requirement that all agencies must have clear statutory authority. This can include an order in council to set them up. However, their mandate should be clearly established in the constituting instrument. The mandate of any subsidiaries which are set up--and their original mandate must give them the authority to establish subsidiaries in the first place--cannot exceed the mandate of the parent company. Corporate form can only be used when justified.

One of the findings of the Don Gracey report was that many organizations had corporate status through either the Business Corporations Act or the Corporations Act but did not actually use the legal entitlements that this status gave them. By incorporating under those acts, they automatically are given a lot of powers that they possibly should not have. The corporate form, therefore, should be justified. A new agency would actually only be set up when an existing agency could not be modified to take on that function.

A Management Board requirement is ministerial justification. The staff of the ministry, on behalf of the minister, must submit a report to Management Board setting out the mandate, the rationale for the agency and the financial and administrative relationships that will exist, and providing Management Board with sufficient information to enable it to assign that agency to a schedule for its management and administrative purposes. Management Board approval will be required to establish and acquire all agencies, including subsidiaries. That is a new addition. Before, subsidiaries did not require Management Board approval.

Organizations usually used a clause in the act, which said they could do anything else to further the objects of the corporation, and would often use that as a justification for subsidiaries. Now the government will have some control over how many subsidiaries of these organizations do get established. Management Board will assign any new agency to a schedule for financial and administrative purposes. The scheduling is relatively similar to the existing policy.

Schedule 1 agencies are funded from the consolidated revenue fund, and any staff support is under the public service. They adhere to all the management directives that Management Board puts out. They have a degree of independence in their decision-making and operations, but for financial and administrative reasons they follow the same rules as government.

As before, schedule 2 agencies are the operational and commercial entities. They most closely represent crown corporations. It is not a term Ontario uses. Ontario Hydro, the Ontario Lottery Corp. and the Algonquin Forestry Authority all continue to fit that classification.

Schedule 3 represents social, cultural and nonprofit corporations that may receive money from the consolidated revenue fund. Some will be self-funding. They include the teachers' superannuation fund, a schedule 3 agency which is nonprofit but self-funded. It is administratively independent and the staff are not under the public service.

Because of the change in definition of an agency and Management Board's desire to concentrate only on those agencies over which it has an ability or desire to exercise control, the policy allows for Management Board to waive agency status for a number of organizations to which the government, through legislation, appoints a majority of members, but over which the government does not wish to exercise the amount of control that appointment process would give it.

For example, the Council of the Royal College of Dental Surgeons of Ontario is automatically excluded because government does not appoint a majority of the board, but the Governing Board of Denture Therapists is included because the legislation does require appointment of all board members. From the Ministry of Health's perspective, it would treat the board of denture therapists and the council of dental surgeons identically; so Management Board would waive that status.

It is suggested to ministries in terms of implementation that when legislation comes up for review for other reasons, the ministry should give serious consideration to whether it wishes to continue appointing a majority of the board in the future. If waiver status does not exist, the alternative is to start tabling a lot of acts for fairly minor changes. It was deemed more practical to provide that waiver status for a number of schedule 4 agencies and to allow the change over time when the legislation is reviewed. It will revert to reflecting the policy more closely.

Once an agency is established, it is affected by the various policies on the administration of agencies. All agencies, not just those in schedule 1, must conduct themselves according to the management principles of the Ontario government. These principles include high-quality service to the public, accountability, excellence in management, wise use of public funds and fairness in the marketplace. All agencies have to ensure that they operate within those basic principles.

Schedule 1 agencies will operate not only within those principles but within the specific Management Board directives pertaining to all financial and administrative matters. The other agencies should recognize that they are creatures of government in some way and should reflect some basic principles.

10:30 a.m.

All agencies must have their specific financial and administrative arrangements clearly set out and adhered to. The vehicle usually used for this is the memorandum of understanding. It sets out the linkages within the ministry, as well as all financial, administrative and staffing arrangements. A memo will be required of all operational agencies and of any advisory and regulatory agency that is assigned to schedule 1, but does not adhere explicitly to the criteria for schedule 1.

The Ontario Heritage Foundation is excluded from going through the Ministry of Government Services to acquire property because its whole mandate is to acquire historic properties for specific reasons. It is not acquiring office space. The Residential Tenancy Commission does not have staff appointed under the public service, but it is allocated to schedule 1. Agencies such as this, which do not adhere explicitly to the criteria for a schedule 1 agency, should do a memorandum of understanding. For other agencies, the linkages will be normal.

Corporate plans are a new concept and will be required of the commercial operational agencies in schedule 2. The corporate plan will set out the general strategic directions the organization is going to operate under for the next three to five years. It will set out any public policy objectives that are being pursued at the request of government. It will set out major capital and operating expenditures and financial requirements for borrowing. It will be tabled with the minister and require the approval of the minister.

Where there are elements in the corporate plan that have a specific impact, either on Management Board in terms of consolidated revenue fund moneys being used to fund the public policy objectives or where borrowing requires the Treasurer to make a guarantee, or anything like that, the corporate plan will also come to Management Board and to the Treasurer for approval of that specific section. These will be very much strategic macroplans. It is not expected to impact on the individual day-to-day decision-making, but it allows the minister responsible to understand the general principles and directions of any agency within his or her jurisdiction.

Sunset reviews will be required as of now of advisory agencies and of noncommercial operational agencies where government has a strong link. All regulatory agencies that are established in legislation will again be reviewed when legislation changes. A sunset review, if it makes amendments, will normally require amendments to the legislation anyway. Rather than making it an internal exercise, it is suggested to ministries that when the legislation is up for review, they look at the mandate of any agency contained within that legislation and whether it should continue.

In terms of staffing, a new element, apart from just staff in schedule 1, shall be under the Public Service Act. In schedule 2 and 3, it shall not. Management Board, on the advice of the human resources secretariat, will be setting salary ranges for the senior executive staff of the schedule 2 and 3 agencies. They will be broad ranges, and it will be within those ranges that the individual boards can set remuneration of their senior officers.

In terms of audit, which is also new, in the case of any agency requiring an external audit and where the external auditor is not the Provincial Auditor, if the contract is in excess of \$25,000 a year, that audit contract must be open to public tender. Contracts may be up to five years. The existing private sector external auditor has the right to retender for the next contract.

The other change that is occurring right through all policies in the Manual of Administration is that selected policies will apply to more than just schedule 1 agencies. The tendering of advertising contracts is being required of all schedule 2 agencies. Freedom of information is specifically including schedule 2 agencies and the Workers' Compensation Board within its ambit. This may happen in other policies in the future. They are the two for which it is being specifically put in place now. In certain cases, schedule 2 and 3 agencies will have to play by the regular rules of Management Board.

In terms of approvals from Management Board, it will approve all formal documents, the memorandum of understanding, sunset reviews and the corporate plans, where appropriate. Obviously, Management Board approves such things as these new policy directives.

The detailed sections in policy and guidelines are the respective responsibilities of government personnel, both individual ministers and cabinet, and of public service personnel, both the deputy minister and the ministry staff generally. There are detailed responsibilities set out for the agency chairperson, the agency managing board and the agency's senior executive officers. These are in policy, but are discussed in much more detail in the guidelines.

I think the final two pages of your handout go back to Mr. Alfieri's statement that this new definition of agencies reflects Management Board's desire to list those agencies from which it can request such things as memorandums of understanding, corporate plans and other financial and administrative documents. It does not necessarily impact on the mandate of the committee.

I would be happy to answer any questions.

Ms. E. J. Smith: I have two questions. You say it does not necessarily impact upon. I think we have an interest in what "necessarily" means. As well, I would like to know how the various agencies understand this word.

My two questions, more specifically, would be with regard to what you call a waiver of agency status in your presentation. You point out that one agency falls under the jurisdiction of Management Board in terms of organization and that it would react under the legislation. All of that is a lot of work.

If I happen to be in an agency and receive a letter from you saying I have received a waiver that frees me from the jurisdiction of Management Board, I am sure I consider myself out from under this committee as well, unless I get some very detailed explanation that the average agency would probably not understand.

In the case of the application of waivering, which you say does not apply to the agency's relationship to us, how does it know that? My second question would be in the same area. I am trying to understand the differences here, except in the ones under legislation or the management situation. I note your sunseting reviews. Our definition of that activity is definitely to examine agencies for redundancy, etc. I would like to understand how we are co-ordinating and defining these two activities with regard to sunseting.

Mr. Alfieri: With respect to the first question, the headings of these documents were primarily internal. Following the concern expressed by this committee, we had already realized that perhaps the wording needed to be changed from waiving agency status to outlining the agencies to which the guidelines and practices of Management Board applied. There would then be no confusion in anyone's mind as to whether these were agencies, boards and commissions for any purposes other than those for which Management Board wished to have these guidelines apply.

With respect to your second question, perhaps Gillian Gillespie will respond.

Ms. E. J. Smith: I do not feel my first question was completely answered. You tell me it is documented in front of us. It certainly does create confusion from the point of view of the agency. Does that mean you are going to do something about it, or not?

10:40 p.m.

Mr. Alfieri: Yes. I am sorry. We definitely intend to do something about it.

The headings of the documents we have shown to you were internal. Following the expression of your concern, when we publish these documents, it is obviously not going to list agencies to which it does not apply. It is going to list the agencies to which the guidelines and practices of Management Board will apply.

We hope this is not going to create any confusion in anyone's mind as to whether or not they are, in fact, agencies. They continue to be agencies for any purposes that are properly established, but not necessarily for the purpose of the Management Board guidelines. We are going to clarify that to make sure everyone understands that.

Mr. Newman: That will be a fairly thick volume.

Mr. Alfieri: No, not really, because they are already listed there. As a matter of fact, it should be a thinner volume because a number of them would not be required to be listed for the purpose of the Management Board directive. They will still be listed for any other purpose and the Premier would still, as I said before, advise you of all appointments and of all agencies. That will still happen.

With respect to the extent to which the administrative practices of the board will apply to them, obviously the list would be reduced. In fact, if I may just show an example, one that I am familiar with from my previous experience in committees of social services, it is the Algoma District Welfare Administration Board, of which Mr. Lane is aware. That is a municipally appointed board to administer social services in the district of Algoma. Instead of each municipality administering social services independently, they have elected to come together. That board is really no different to the Essex county social services committee. The government of Ontario appoints two members to that board, there are two members-at-large and the balance of the membership, which is about nine or 10, is appointed by the local municipalities.

That board would not show up as one of the agencies which would come under the administrative practices of Management Board, but it would still continue to be a board or a commission for the purposes of general government. I think what I would do, Ms. Smith, is make sure, in articulating our policy and publishing it, we remove the possibility of misunderstanding as to whether they are agencies. They definitely are, but they would not come under the administrative practices. The board I just used as an example would not be the kind of board on which we would want to impose our own government administrative practices.

Mr. Chairman: Is that okay, Ms. Smith?

Ms. E. J. Smith: Before you answer the second question, in going through the document with you, I fully appreciate what you are attempting to do, which is for better standards and, in a sense, more reasonable control and recognition of government and of public moneys involved. On the whole I understand what you are trying to do and it is a very admirable thing, but I think it is important to clear up these possible negative washoffs.

Mr. Alfieri: We appreciate the opportunity of discussing this so we can make sure all agencies, all the players involved, fully understand the roles and responsibilities within the new context.

Ms. E. J. Smith: The second half of my question has not been answered--the sunset review aspect.

Mrs. Gillespie: The sunset review, as done in terms of Management Board's administrative requirements, will be done internally by the ministries and will come to Management Board for approval as it does now. To date, a number of agencies have been reviewed by both the procedural affairs committee, as it used to be, and by individual ministries. I think this committee can continue to review any agency it would like to review from its perspective and make its recommendations for any changes.

I think you have an equal entitlement to the ministry. Your review will cover whatever body you happen to decide upon each session. You go through a series and you gradually work your way through a good number of agencies. In fact, you have reviewed bodies already that have never been considered agencies for the purposes of Management Board practices.

Ms. E. J. Smith: I do not find this a complete answer. Let me try rewording it. We are two branches. You might say we are from the political arm looking at reviews for the purpose of looking at redundancy and so on. Yours really is an internal administrative, largely a civil service group reporting

to the political arm through the ministry. Basically, to give an example, if I happen to be Joe Blow out there, who is chairman of a certain group, and find there are two groups independently reviewing my redundancy and no one has any idea what the other is doing and no one communicates between those two as to what is happening, how I was selected for review or what they are going to do with it, then I throw my arms in the air and say, "That is typical of government; they do not know what they are doing over there." How are we going to tie this together? How do we know what each other is doing?

Mrs. Gillespie: The list of agencies scheduled for sunset review for Management Board has always been publicly available. A report is normally tabled, or has been tabled in the past, on the initial sunset review. That always listed the agencies scheduled for review next year.

Ms. E. J. Smith: Could that not be tabled with this committee as well? I am looking for a linkage, since we seem to have somewhat overlapping terms of reference.

Mrs. Gillespie: Sunset review from Management Board's perspective includes not just termination. It also includes looking at changes in mandate, structural changes, opportunities for amalgamation with another agency or with a branch of government and opportunities for privatization. Sunset review is more than just termination.

Ms. E. J. Smith: So is ours. I am trying to get the linkage, not your terms of reference.

Mrs. Gillespie: You are viewing it from the political angle and could choose to review the same agencies now up for sunset review or ones that will not necessarily come up for regular sunset review.

Ms. E. J. Smith: I realize that in 475 agencies there is a lot of choice.

Mrs. Gillespie: It is 225.

Ms. E. J. Smith: I am looking for the linking. Do you understand what I am saying?

Mr. Alfieri: Yes, I do appreciate the linkage. You are saying that if one element in the organization is reviewing something and somebody else is reviewing something, they may be undertaking the same review. That has transpired before and, I presume, is likely to transpire again. We can improve our linkages by better communication and we will be happy to take that back to our minister and then discuss it with you.

As Gillian has said, there is already some knowledge as to what we are doing, because it is being tabled. Your committee comes up with its own agenda and work plan independently from one year to the next. If there is an opportunity to improve our linkages to reduce duplication or not subjecting the particular agency to two processes simultaneously, we would be as interested as you to see whether that can be done.

We will discuss it and get back to you. In the absence of internal consultation, I am not sure how that can best be done. Obviously, we are both interested in assuring that we do our work as effectively and efficiently as we can without subjecting agencies to any undue process. We both have an interest and we should be able to find a way to improve the linkages to help us achieve our common purpose.

Mr. Chairman: I hear you explain it but not too clearly. Can we simplify this? Is there any reason why sunset review documents cannot be made public; anything can be made public. We should not have to search for what public documents are available. Can Management Board refer those documents to this committee?

Mr. Alfieri: I cannot think why not. Obviously, we are both into the same thing. As I said, I will be happy to discuss it with the secretariat and get back to the committee.

Mr. Chairman: Was that what you meant, Mrs. Smith?

Ms. E. J. Smith: Yes.

Mr. Chairman: I get confused by civil service conversation. You are tremendous. Can you review it? Can you refer them to us or not? If they are public documents, there is no reason why not

Mr. Alfieri: Absolutely.

Mr. Chairman: Therefore, instead of making them public, you could refer them to this committee as a matter of course.

Mr. Alfieri: As I said, I cannot think of any reason--

Mr. Chairman: Will you tell me yes, you can?

Mr. Alfieri: Can I what?

Mr. Chairman: Will you tell me yes, you can refer them to this committee? That is what I want.

Ms. E. J. Smith: They probably have to ask back.

10:50 a.m.

Mr. Alfieri: In fairness, we should have the opportunity of consulting internally. One other option would be for you to provide us with your list; then we will make sure the reviews are properly co-ordinated.

As I said before, we are interested in making sure there is no duplication or overlapping. The best way to do that is for us to provide you with the documents we have as part of our process. Another way, perhaps, would be for you to share yours with us.

Mrs. E. J. Smith: I agree.

Mr. Alfieri: All I can say at this point is that I will undertake to ensure the issue is addressed and that your committee is apprised of it.

Mr. Mancini: Could we possibly go back to last week and recall why we invited representation from Management Board? I perceived it to be a concern of some members of the committee, and especially members of the opposition, that there might be an opportunity here for the government to remove a large number of agencies from the purview of this committee. I certainly understood the concern as it was expressed.

However, I am very pleased to hear that the internal work being done by

Management Board, as outlined on the last page of the brief we received this morning, does not impinge legally or administratively on the work this committee wants to do, which is the way it has always been over the past number of years.

I would like to make one other comment. I guess all members find themselves in the same position; we all sit on at least two committees, and have other obligations. The last thing I need, Mr. Alfieri, is more tons of paper, having to review what you have reviewed so I can make a decision based on your decision and try to co-ordinate everything in the government.

I do not perceive it to be an overlapping of responsibilities or work for us to review, even at the same time, a committee or agency that may be reviewed internally by the Management Board. As elected officials representing three different parties, we bring a very broad political view to the work of this committee, and we have different goals. We have many different goals in comparison to the goals of the internal management people.

As far as I am concerned, I do not see any overlapping. Our concerns are different because our positions are different. What we want to accomplish is also different. We have a political objective that must be transmitted to the people we represent in a way that would make them feel comfortable.

As far as sunseting is concerned, having had experience on this committee and going only by that experience, we would be hard-pressed to do that. The committee in the past has always found a constituency that a particular agency, board or commission is responding to. The sunseting of one of those commissions or agencies removes some type of representation or appeal process from a particular constituency. Was it the wolf appeal board?

Mr. Chairman: The Wolf Damage Assessment Board .

Mr. Mancini: When this committee got the Wolf Damage Assessment Board, I thought we were going to sunset it. Who would have thought that, in the 1980s, Ontario needed a wolf damage assessment board? However, members of the board asked us: "How are you going to assess the damage done to a particular farmer who has lost a large number of sheep or any other type of animal, and try to make restitution, if you do not have us? It is true that we only meet a couple of times a year, but we respond to a constituency out there that needs to be responded to."

We threw up our hands and said, "We want to sunset this committee, but who is going to make those decisions?" It was a group of farmers who were making the decisions. They were paid hardly anything at all. They met two or three times a year and satisfied a genuine concern which probably most of us never thought existed. The sunseting and overlapping of responsibility, to me, do not really present any real concern.

I am sure we all know the job of this committee is to review the agency, to see that it is carrying out its mandate in concurrence with the legislation with which it is working, to obtain information from the committee to see if the legislation needs to be changed or updated and then to make political decisions that will be sent to the Legislature for debate. From my particular perspective, I see no overlapping of the work.

Please do not send me any more paper unless it is highly important or a matter of urgent public importance. John Eichmanis prepares at least a couple of volumes a year for us, and that is for only one committee, in addition to

all the other background information he makes available to us, and the briefs we receive from the agencies when they come in. I greatly doubt that we will have time, if we are honest with ourselves, to review what you have already reviewed. That is my personal feeling.

Mr. Chairman: The clerk has noted that Remo does not want any more paper. Have you got that?

Mr. Grande: Any paper Mr. Alfieri considers important he can pass on to my desk and I will take a look at it.

Since we are on this review and the matter of sunseting, I can appreciate and understand the two different functions: the function of this committee being a political one and your function being administration. However, I would like to ask some questions about an administrative review where an agency is responsible to a particular ministry.

I assume that people within that ministry are to be the ones doing the review of the particular agency, board or commission for which the ministry is responsible. What they then do is make a recommendation to Management Board.

When that recommendation goes to Management Board, does it have a political decision attached to it as well? In other words, has the committee of that ministry gone to the political arm of that ministry and has that political arm made a decision about sunseting or not sunseting before it goes to Management Board?

Mr. Alfieri: You are speaking exclusively of sunseting in relation to the review?

Mr. Grande: Right.

Mr. Alfieri: At the risk of getting involved in more bureaucratise, obviously the tabling of the review of the sunseting has to be done by the minister. In my previous experience in the Ministry of Community and Social Services, the civil servants obviously had a lot to say in the review and analysis of the recommendations. Those went forward. As to the extent to which members of the government instil in it political judgements, it has been difficult for us to say.

Mrs. Gillespie: When the sunset report is done and it comes to Management Board, it is accompanied by a signature from the minister. It is the recommendation of the minister. The work is undertaken on his behalf by the staff, but the report to Management Board is signed by the minister. It is the minister's recommendation that the committee be continued, terminated, amalgamated or have its mandate revised, so at that point there is a link.

The policy also requires that where a mandate of an agency affects more than one ministry, the relevant committee of cabinet also reviews that minister's recommendation before it comes to Management Board. So there is a check on the system at that point as well. There are a few, not very many. The custody review board that is assigned to the Minister of Community and Social Services (Mr. Sweeney) also reports to the Minister of Correctional Services (Mr. Keyes) for certain functions. If a sunset review was undertaken of that board, the concurrence of both ministers would be needed.

11 a.m.

Mr. Alfieri: In answer to the specific question, I does not know what to say in respect of a minister's internal considerations in approving the recommendation. By and large, most of the work is done by civil servants who bring up all the facts, deal with issues that overlap and so forth, and then the recommendation goes forward. I do not know now a minister's thinking process takes place in agreeing with that and transmitting it.

Mr. Grande: It is a prevention of that situation for which we are supposedly here. As far as the process and the review are concerned, and the sunseting if it is necessary, a political decision is made. In other words, it does not this committee need to do the sunseting of that agency, board or commission which that ministry and the Management Board have examined and about which they have made a recommendation?

While Reno Mancini is trying to make a distinction between the political dimension and an administrative dimension, both are included. Therefore, it becomes a government function. The government has to function, has to make decisions. The duplication seems to me not one of an administrative versus a political decision. There is a complete process there, but is that complete process the political responsibility of sunseting? Will it be as a recommendation of this committee, or as a recommendation of that process? Is that fair?

Mr. Alfieri: The sunseting portion is only a small portion of the new directive. The reason for our presence today is to determine if a revision of our directive has any impact on the role and function of this committee. We have said before we do not think it has. This changes in no way the role of this committee or the extent to which this committee wishes to review agencies, boards and commissions as far as your own statutes give you authority to do so.

This negates in no way the need for ministers of the crown or Management board or other agencies of government to do their jobs. In many instances there are going to be elements of duplication, of parallel kinds of considerations. This happens not only in this committee; I would suggest it happens in every committee. When we review estimates, the policies and the practices of a particular ministry are discussed. The standing committee on public accounts has an interest in looking at these things, notwithstanding the fact that there are internal audits in ministries. The Provincial Auditor also wishes to look at the same thing.

As long as we have government committees, there are going to be elements of duplication. Those are a part of the checks and balances in a proper government. Just because a minister or an agency of government has made a decision does not preclude the need for this committee, if it so chooses, to review it and deal with a parallel process.

I hope we do not see this exercise as a removal of any duplication between any ministry and this or any other committee. The essence of our operation in a democratic society and a parliamentary system is through this kind of exercise which enables structures such as yours to look at what is going on and to come up with a plan.

Mr. Grande: I am quite willing to let the government govern and make decisions, be they administrative or political; not just with this committee, but with any other committee. I do not feel that strongly about committees.

Therefore, once an agency, board or commission becomes an issue, then we

will determine which ones we are going to review. We are going through the process as the second item on the agenda. We do not pick these out of the air. It has to be something related to what is going on. The same thing is going on in government--at least, I hope it is. Therefore, if there is any way this duplication can be lessened, we should try to find it. If the government has taken that particular administrative and/or political decision, then it will come to this committee to take a look at it. It is a different function. I do not know whether I am making it clear.

Mr. Alfieri: I fully understand it. It comes to roles and responsibilities. It depends on whether this committee sees itself as an independent body that elects issues, looks at its purpose and mandate and decides to proceed, or whether it is a body that is supposed to review decisions made by others.

As I said before, I will undertake to discuss with the secretariat the extent to which it may be appropriate to eliminate some duplication. We do not presume to suggest what your mandate should be, even though we appreciate that particular situation.

Mr. Lane: My concern is basically what Mr. Grande was asking about. Maybe this was discussed last week when I was not here, but I wonder: If we review any agency, board or commission and decide it should be sunsetted or a major change should be made in it, how likely is that to happen? Where does the buck stop? Do we spend a lot of time hearing board members, looking at the work they are doing and deciding yes, they should carry on, or no, they should not and there should be some major change; then it goes back to a minister or to Management Board, which says: "To hell with it. We do not want change in this thing." We spend our time looking at it. How likely is it to happen?

Mr. Mancini: Past procedures have shown that every item of concern that we have pointed out has been responded to by a former minister, and I assume the same practice will continue. Every recommendation we make in our final report, which will be tabled in the House by our chairman, will be responded to. I do not see us wanting to change that, because it gives the ministry and the minister a chance to respond to our concerns from their particular viewpoint. The buck stops right in the Legislature when we make our speeches and point out in front of all the members of the House the work the committee did and the concerns it found.

Mr. Lane: Is that the right answer?

Mr. Alfieri: Yes. In essence, that is the situation. Your recommendations will be reviewed by ministers and taken seriously. Your relationship is to the Legislature, so if any issues need to be dealt with further beyond this committee and beyond the ministerial level, I presume the Legislature is the forum for the resolution of those issues.

Ms. E. J. Smith: Mr. Mancini has put it well. We would be very foolish to anticipate conflict. We are talking of resolving the same problems. That is why I used the word "linkage" in the first place. I simply want to make sure that we benefit from each other's information, and it is obvious, as Mr. Grande has suggested, that at both levels, in the end, it is a political decision. The administration does not work in a vacuum; it works under the minister.

11:10 a.m.

My concern with linkage comes from the fact that, as the chairman expressed, in this great, mammoth institution known as government; we should co-operate to the point that each understands what the other is doing. If we then come into conflict, we will resolve it. I do not anticipate such conflict, because we are looking at the same thing to make sure we are not wasting the taxpayers' money with redundancy, etc.

I certainly do not mean to anticipate any disagreement in process simply because I say: "Let us establish a more efficient linkage. Let the right hand know what the left hand is doing so that we can accomplish, with as little waste as possible, the same goals we all strive for." If some disagreement comes out of that, we can only deal with it when it comes.

Mr. Eichmanis: I would like to go back to Ms. Smith's point. If the committee so directs, the staff can establish a relationship with Management Board so that when it is about to table something--proposed sunset reviews and so on--it will let us know. Then we will pass it on to the committee.

If that is the desire of the committee, I do not see any problem with establishing that kind of linkage through the staff.

Ms. E. J. Smith: That is my concern at this point. The staff would, by reporting in this way, cover the political aspect on both sides. You are reporting to us on behalf of the minister and vice versa.

Mr. Mancini: That then means you have to review all of that.

Ms. E. J. Smith: No.

Mr. Mancini: Then who is going to review it?

Ms. E. J. Smith: My intention would not be that.

Let us just take a very exaggerated case as a point of interest: Ontario Hydro and whether to turn it into a committee of the ministry. Ontario Hydro is obviously a major element of that ministry. I would certainly bow and say, "If they are going to review that, as you say, the government governs, but let us at least know that."

I am not saying it cannot do that without our saying so. I would just want to have the information that such a review is being done so that we would not try to review whether some minor aspect of Ontario Hydro was to our liking while at the same time they were reviewing whether it should exist at all. That is just to give a very extreme example in order to make a point.

Mr. Alfieri: We will be happy to work at the staff level to see how best we can co-ordinate our efforts. In the meantime, I trust we have been able at least to address your original concern, which was whether anything we had done in the revision of our administrative guidelines had any impact on your committee. I wish to stress again that it does not. We see that the role and function of your committee is in no way affected by the introduction of this new guideline. To the extent to which we can continue to work together and improve our relationship, we will be happy to work on that.

Mr. Eichmanis: I have one technical question relating to a heading on the first page under number 3: "Continue concept of ministerial accountability."

AS Mr. Mancini pointed out, the committee makes a set of recommendations. They go to the House and are debated. The minister then makes a response. From the committee's point of view, it would be interesting to know whether, in the case of those agencies that have been reviewed and, for administrative purposes, are not going to be on schedule 4 any more, the minister would respond to the committee's recommendations with respect to those agencies that are reviewed. In other words, would the minister say, "I do not have anything to do with this any more," or would he still make a response?

Mr. Alfieri: I am sorry. The minister will still have something to do with those agencies.

Again, going back to the district welfare administration boards, this guideline in no way does away with the District Welfare Administration Boards Act, which is under the jurisdiction of the Ministry of Community and Social Services. Should you elect to review that board and make recommendations, the minister has an obligation to respond.

What has changed now is that that agency--which was never under the direct administrative practices of government; i.e., it appoints its own members and decides its own salaries, expense accounts and so forth--is now officially off it because it was never on it. In a way, it removes the ministerial relationship between the agency and the minister, and any accountability inherent in it.

Mr. Eichenmanis: It is important for the committee to know that, when it makes its recommendations to the minister, it should expect a reply.

Mr. Mancini: Over the years, I have seen the ministers tied to everything, whether they were responsible or not.

Mr. Chairman: You did say you had not found anything that should be sunsetted, so we must have done something right.

Thank you very much for coming. We certainly appreciate it. You have been very patient and very helpful.

I would like at this time to welcome back John Lane, who has been off with an extended illness. It is nice to have him back. He is vice-chairman.

AGENCY REVIEW

Mr. Chairman: The next item on the agenda is the selection of 11 agencies for review, and I am quite sure everybody here has brought in recommendations. John, I do not whether you have followed the minutes of the previous meetings, but in the selection of the committees, agencies and boards that we are going to be reviewing, a motion was passed last week that each member of the committee submit the name of one agency, board or commission he felt we should review. It is a case of simplification. The idea was that this week everybody would come back with a recommendation, and I am sure all of you have one, do you not?

Ms. E. J. Smith: I discussed this with Mr. Epp because I had a problem for myself and wanted any help he could give me. My inclination--and it turns out that he joins me in this, so that I am doing this for two choices--is to stand back in our choice, let other choices take precedence now and, in keeping with what Mr. Swart was saying at the last meeting, present

our choices at a later time when we have the results of the initiatives we are already taking to write to agencies and hear from them what they are doing. In that, I am speaking for myself and for Mr. Epp, which may relieve you of the discussion we had last time about, if we get ourselves all set up with a whole work load, what do we do with that information? We will wait for that information to make our choice.

Mr. Mancini: I wish to join my colleagues. Quite a bit of concern was expressed last week by Mr. Swart. The background was that something he might be interested in would not, in fact, be reviewed, so I want to make sure his concerns are put before the committee. If he has a particular agency he wants us to look at, I want to ensure that his agency gets reviewed, along with other colleagues'. I have one in mind that I would like to have reviewed, but it can wait until the final five.

Mr. Chairman: Mr. Grande, do you want to make any statement at this point?

Mr. Grande: I do not know whether I want to; I really do not. Everybody is pulling back.

Mr. Chairman: You go ahead.

Mr. Grande: Mr. Swart could not be here, because he is at a meeting in Hamilton. He said he would be back as soon as he could to be in the committee. However, last week or the week before he indicated pretty clearly, and it is on the record, the agency or agencies--I think he mentioned two or three--that he wished to look at.

At the same time, I also mentioned a couple I was interested in. I mentioned the Ontario Advisory Council on Multiculturalism and Citizenship. Mel, if I understand correctly, mentioned at least the Liquor Control Board of Ontario. I could be mistaken; he mentioned two or three of them.

Mr. Eichenmanis: I did take down what each member of the committee proposed at that time.

Mr. Mancini: Why do you not just read all of them so that we all know what we are talking about?

Mr. Eichenmanis: Mr. Swart proposed the Ontario Lottery Corp., the Ontario Drainage Tribunal and the liquor control board. Mr. Leluk proposed the Ontario Arts Council and the Alcoholism and Drug Addiction Research Foundation; Mr. Grande, the Advisory Council on Multiculturalism and Citizenship, the Ontario Institute for Studies in Education and the Languages of Instruction Commission of Ontario.

11:20 a.m.

Mr. Grande: I also pointed out that since the Languages of Instruction Commission had been reviewed a year ago, one of the last ones, I would go back and read that report; it is not necessary. I am interested in OISE and the Ontario Advisory Council on Multiculturalism and Citizenship. If I were to whittle it down to one, I would say the one I am interested in is the advisory council.

Mr. Chairman: We have a commitment. In all fairness to John, he was not aware of this. We are not going to get everybody here at the same time. Is

it agreeable to the committee that my office contact yours on an individual basis and ask for your selections during the next week?

Mr. Mancini: It would be easier if the 11 members called them in to you instead of you trying to reach 11 different members.

Ms. E. J. Smith: Except that they will not do it.

Mr. Chairman: Except that they will not do it. You are right.

Mr. Chairman: We have your selection, Mr. Grande, and we have the indications of Mr. Epp, Ms. Smith and Mr. Mancini. I do not know what Mr. Sargent's feelings are, but I will contact him.

Ms. E. J. Smith: He may have one.

Mr. Chairman: He may have one. I will contact the four Conservative counterparts directly to see whether I can get a selection. Hopefully, we will have a list of suggestions next Wednesday.

Mr. Grande: I would like to extend the questions and answers from Mr. Alfieri.

I could be wrong, because I do not know what goes on in the minds of the minister and the ministry, but I try to look carefully and read and my understanding is that the agency I mentioned, the advisory council, has perhaps been decided upon in terms of sunseting it, changing it or its mandate, or having something else in its place. Therefore, it would be very instructive to me to find out whether this decision has been made through the Ministry of Citizenship and Culture or Management Board.

If that decision has been made--not that I would not want to take a look at it and decide in nonpolitical terms whether it was correct; it obviously goes beyond the ambit of this committee and it is my responsibility. Let me be very clear. I would not want to review that agency and come up with a decision in this committee if a decision has already been made. In other words, let the political responsibility rest where it ought to rest. That is what I was referring to earlier.

Therefore, if our researcher has any inkling or information whether the agency I chose has gone through the steps, decisions or whatever, it would be better for me to make another determination.

Mr. Chairman: I expect that will be part of the selection process. When we put our names in, I expect our clerk and our researcher will trigger anything. If there is something going on already, there is not much point in duplication. When we sit down to select the five or six, all these things will be taken into consideration.

Ms. E. J. Smith: I share that view and I hope the administrative people fully understand that it is not our intention, nor should it ever be, to interfere with a government function. We are simply talking about making our own time valuable and useful in what we are doing and keeping as much information as is appropriate available at the forefront.

Mr. Chairman: Let us not be too broad, Ms. Smith, when saying we are not going to interfere with government operations. That takes all the fun out of it.

Ms. E. J. Smith: Appropriate government operations.

Mr. Grande: The point is that once the minister's political decision has been made, I have other avenues to pursue it; it would not necessarily be only through this committee.

Mr. Mancini: Press releases.

Mr. Grande: Whatever. You have at your disposal the same kinds of resources I have and perhaps more. I have other avenues through which to pursue the matter. Therefore, I would not want to be in this committee for a week, two weeks or whatever looking at it.

Mr. Chairman: We do not want to reinvent the wheel; that is for sure.

Mr. Lane: I had the opportunity to serve as parliamentary assistant to six or seven ministers over the past 10 years. There were several agencies, boards and commissions that I would have liked to have had dialogue with, to find out why there were not other ways to fulfil their responsibilities. One of them was the Ontario Development Corp., which is a very active board. I often felt we should have had some dialogue about it to see what we could do to improve it, to protect better the money it loans out and help it find better ways to do business.

Sometimes it had loaned money for a mortgage on a motel or whatever. Then the chap expanded and there was a second allocation. That seemed to be impossible because the two could not be merged to become one mortgage. There are worthwhile things to talk about in those kinds of situations. I am not thinking of sunsetting it, but in terms of knowing more about it. There might be a better way to do things.

Another thing that bothered me was that the directors would often approve an application for a loan and provide the money. The guy would have a good plan but no management expertise. I always thought that if there was government money, there should also be some government management. I would like to talk about some of those things. If it would be in order, I suggest the Ontario Development Corp. be one of the agencies we look at.

Mr. Chairman: Fine. That saves me a phone call, Mr. Lane. Perhaps I will go ahead with that and contact each member of the committee and get his suggestion. Taking into consideration the three abstentions, we could have eight suggestions by next week.

Ms. E. J. Smith: Do you have one, Mr. Chairman?

Mr. Chairman: Yes, I have one I would like to look at.

Ms. E. J. Smith: You are being secretive.

Mr. Chairman: I am at this point. I want to check further. I am not sure it is my top choice but I have one in mind, one of a series.

The only other thing is that I went to the Board of Internal Economy yesterday, as Ms. Smith knows. A budget was presented in the amount of \$50,140 for the coming year. It included regular sitting days, travel allowances, etc. but made no allowance for travel outside Queen's Park. I suggested to the board that, when we come up with a selection of agencies, boards and commissions for investigation, we might come back with a supplementary request for funds.

Ms. E. J. Smith: I have a comment. Going through the different budgets at the Board of Internal Economy, we noted two figures that seem to have little rationale, although they were not large. One was catering and the other was translation. I note with interest, although it is a small and niggardly figure, that we probably drank three cups of coffee today. I wonder how much in that big pot over there will go down the drain. How often is it automatically provided in these committees? It is listed as \$4,000 worth of coffee and how much do we drink?

Mr. Chairman: Is there provision for something other than coffee? If we decided we wanted a luncheon meeting, does it provide for that?

Ms. E. J. Smith: The answer was always that it is just for coffee. I am not trying to be cheap. I sincerely wonder whether, out of habit, they just always make a full pot of coffee.

Mr. Chairman: I wonder why a committee of this size needs a pot that big.

Ms. E. J. Smith: That is what I am saying.

Mr. Lane: I got into trouble with another committee when I suggested we did not need any at all. There were some repercussions about that.

Mr. Chairman: I remember that committee.

Ms. E. J. Smith: These things are details. At city council, they are not giving coffee at all. I do not think that is necessary. Maybe we could look at whether, at \$5 a pound, we are using two pounds every time we drink three cups. It would be an interesting point.

Mr. Chairman: The standing committee on members' services was a demonstration of that. You do not think something is important until it is not there. When we found it was not there for a couple of days, we fired John immediately and got the coffee back.

Ms. E. J. Smith: I am not taking away your coffee.

Mr. Lane: It is a good point. There is a great deal of money spent from which there is no benefit.

Mr. Newman: If there is no coffee, we will get less talk and the sooner we will get our business out of the way.

Ms. E. J. Smith: I am not taking an anti-coffee stand here.

Mr. Chairman: South America has enough problems. We do not need to cut down on coffee.

Beyond that, I do not have anything. I will be in touch with the office.

Eddie Bright is in attendance this morning from The Gambia. Welcome, Mr. Bright. We hope you are enjoying yourself.

The committee adjourned at 11:31 a.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW

WEDNESDAY, JUNE 4, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Clerk pro tem: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, June 4, 1986

The committee met at 10:10 a.m. in room 228.

AGENCY REVIEW
(continued)

Mr. Chairman: We have a quorum. The only item on the agenda this morning is the selection of agencies for review. For those who were not here last week, Ms. Smith, Mr. Epp and I think Mr. Mancini said they would withhold their selection of an agency and wait until next time or wait for the result of the mailing we did. As you can see, at present we have six, from Mr. Grande, Mr. Leluk, Mr. Lane, Mrs. Marland, Mr. Swart and Mr. Sargent. There are only two from whom we have not heard, Earl Rowe and Bud Gregory.

Mr. Lane: You cannot depend on Gregory.

Mr. Chairman: No, do not depend on Gregory.

I will follow the lead of Ms. Smith and Mr. Epp and withhold my nomination for the second go-around. That will leave Mr. Rowe. Was Mr. Rowe telephoned?

Clerk pro tem: Yes.

Mr. Chairman: He has not come through with a selection as yet.

Clerk pro tem: That is right.

Mr. Chairman: We have before us six nominations for agencies, boards and commissions. If the committee has no alternatives, I invite a motion that we accept these six.

Mr. Sargent: I so move.

Mr. Swart: I second it.

Mr. Chairman: Is there any discussion?

Motion agreed to.

Ms. E. J. Smith: May I ask a question? When Mr. Grande mentioned multiculturalism and citizenship, he said himself it had been done very recently, did he not? I am trying to remember what he said.

Mr. Chairman: I do not recall. It might well have been, but I do not think that is a reason why we cannot do it again if it seems to be important enough, for whatever reason.

Mr. Eichmanis: To clarify that, it was the Languages of Instruction Commission of Ontario, which he had as an alternative, that was done recently.

Mr. Chairman: If you look at the names in the group, we have a good

cross-section dealing with multiculturalism, the arts, the Ontario Development Corp., the Ontario Land Corp., the Ontario Lottery Corp. and the Residential Tenancy Commission. I do not think I have missed anything.

Mr. Swart: In fairness, I should point out to the members of this committee that the Ontario Lottery Corp. was examined in 1980. I do have specific reasons. I am the critic for that area. In my view, there are a number of real problems in the Ontario Lottery Corp. and that is why I asked that it be included. However, it was reviewed just six years ago.

Mr. Chairman: Since we have passed the motion and we have the six, can we direct our research staff to begin preparations for hearings in the summer?

Mr. Eichmanis: Is it the committee's wish that the public hearings on these six take place in September? Is that correct?

Mr. Chairman: That is in line with our previous motion, that we would collect six for that purpose. Then we will select another five or six as we go along. When we get answers to the mailing we have sent out, we can do preliminary work on future items for the winter session, if any.

Ms. E. J. Smith: I note with interest that you said September. Do you consider that the summer session will not start until September?

Mr. Eichmanis: I am going by past experience of the committee. Usually, the committee has done its reviews prior to the House coming back in October. We have a two-week block of time when the committee can hold public hearings. It would be difficult to do it during the time the House is sitting.

Ms. E. J. Smith: I realize we would not do it when the House is sitting.

Mr. Chairman: There is nothing sacred about September. It could be August. It could even be July. I think we will still be here in July.

Ms. E. J. Smith: We will still be in the House in July.

Mr. Swart: I am satisfied that we take these six first, although I may have some reservations. I just want to raise the point again that we will want to have reports brought to us, I presume, during the next several weeks.

If we conclude that there are reasons why we should examine some of these, perhaps for the purpose of recommending to the fall session that they be disbanded, and we think there is need, I would like to leave open the option that we look at them and we do not necessarily go automatically to the next cycle, which will take us right into January. Information may come in whereby we will conclude that there are other routes we should go on with some other agencies. I want to leave that route open. It is open from my resolution two weeks ago, but I want to re-emphasize the point.

Mr. Chairman: The wording of the resolution was such that, at this point, the next five would come from those that have been recommended, but it leaves open the option that we could at the wish of the committee substitute something else for one, two or five of them. That option is open. There is nothing sacred about September, but it would leave lead time to make ample

presentations. Having that long, I hope we will have some pretty good stuff, will we not?

Mr. Eichmanis: Yes.

Mr. Chairman: The only other item we have to worry about is that we will have to set a budget for any necessary travel on our part. We are not going to have any real feeling for this until the staff has done some preliminary work. We will have to submit that to the Board of Internal Economy, which will probably have to be done before the House rises. Can we ask the research staff to come up with a charted course of action for what we should be doing? I do not know whether we need to travel at all, but if we do, we had better--

Ms. E. J. Smith: The Ontario Land Corp. would be the only one I would look at and wonder whether it involved travel.

Mr. Chairman: Yes.

Mr. Swart: We also want to look at the Ontario Advisory Council on Multiculturalism and Citizenship and we may go out of Toronto to meet with some of the multicultural groups and give them the opportunity to make presentations. I do not have any strong feeling about those things.

Mr. Chairman: The Residential Tenancy Commission has a possibility too.

Ms. E. J. Smith: Most of the multicultural people come--

Mr. Swart: There are lots in the north.

Mr. Sargent: There is South Africa. There is something we should look at there.

Mr. Chairman: I understand Barbados has a problem we have to look into. Their problem usually comes up in February though. It is the best time to see it.

Are there any other comments? I will take it upon myself to inform Earl Rowe that we have invited his suggestions but they have not been forthcoming.

Mr. Sargent: Maybe the research committee will give us the background and reference to the framework of each agency in depth.

Mr. Eichmanis: Yes. The past pattern has been for research staff to provide the committee with a description of the act under which the agency falls and how it operates, a brief synopsis of the finances and budgets of the agency, the accountability and relationships between the agency and the ministry, memorandum of understanding and that type of thing, as well as matters that have arisen in the course of the interviews between staff and the agency dealing with problem areas.

These will be highlighted for the committee so the committee has some focus for discussion. It has been the practice in the past for staff to list some topical questions that can be used from the staff report as a way of opening up the questioning during public hearings. Of course, committee members can develop their own questions.

I hope the staff reports on each agency are comprehensive with respect to the agency looking at all aspects of the act; the regulations, accountability relations, finances, budget, etc.

10:20 a.m.

Mr. Sargent: In your research, would you call on the chairman to sit with you or appear before the committee if need be?

Mr. Eichmanis: Initially, the staff will interview the chairman or the executive officer of the agency to get factual information about it. The practice of the committee in the past has been that when public hearings are held, the chairman is invited to appear at the public hearing. He can bring any staff people he wishes from the agency. During the public hearings, the chairman will be here.

Mr. Sargent: In effect, we are breaking new ground here. This has never been done before.

Mr. Eichmanis: No, it has been done in the past. The standing committee on procedural affairs has reviewed agencies since 1978.

Mr. Chairman: One or two of these have been done already, have they not?

Mr. Eichmanis: Of these, the Ontario Arts Council was done in 1978-79. The Ontario Lottery Corp. was done roughly in 1980. Those two were done some time ago. The former committee established the principle that it was useful for the committee to go back and look at an agency it had reviewed previously to see whether things had improved. The suggestion for going back to some previous agencies is one the former committee adopted as one of its practices.

Mr. Lane: In what order would these be dealt with? We have six listed now. Do we have any order we are going to deal with them in?

Mr. Chairman: That would be based on the convenience of making arrangements.

Mr. Lane: There is no necessary preference.

Mr. Eichmanis: If there were a two-week period the committee set aside for the the public hearings, it would be up to staff and the clerk to make arrangements with the agencies as to when they could appear in that two-week period.

Mr. Chairman: I should bring Mrs. Marland up to date as she has just arrived. We had six submissions. The only outstanding requests were to Mr. Rowe and to myself. I have withdrawn in favour of coming on in the second round. Mr. Rowe has not made his suggestion yet. We have six suggestions that appear on the agenda before you, if you have it. We have adopted those six.

Mrs. Marland: Excellent.

Mr. Chairman: At present, we are talking about possible arrangements. Can we consider setting a selected time frame as to when we will

sit? If we do it early and get our requests in to the House leaders, possibly we will get our wishes.

Mr. Swart: What has the practice been in the past? I assume we are not going to deal with these during the time the House is sitting?

Mr. Chairman: No.

Mr. Swart: Then we may want to make some decisions at this time. Given the situation this year with the time the House may or may not recess, we may decide to set the date a little later in the summer or early fall. Personally, I prefer that we start in August. If the House should sit until July, we may not--

Mr. Chairman: That is why the suggestion of September is not a bad one. We normally do not sit in September. Usually the holiday season is over for the children by then for anybody who has children. I do not think anybody in this room has too many.

Ms. E. J. Smith: My baby is 22.

Mr. Chairman: So is mine.

Mrs. Marland: It must have been a good year. Mine is 22 as well.

Mr. Lane: There is such a thing as grandchildren.

Mr. Chairman: There was a full moon most days in that year.

I am open to the committee's suggestions as to timing. In fairness to the staff, it might not be a bad idea if we can pin down a time. If we get our requests in early to the House leaders as a priority before anybody else does, we will be allowed to sit at the time we prefer. I recall before we broke the last time there were 240 committees all wanting to sit in the same month.

Mr. Lane: Would that be Tuesday, Wednesday and Thursday of each week?

Mr. Chairman: I guess that is normal, is it not? We are allowed four to six weeks.

Interjection.

Mr. Chairman: You are a winner. You should have quit while you were ahead.

Mr. Leluk: Am I a winner?

Mr. Chairman: You are a winner.

Mr. Leluk: Is the arts council going to be--

Mr. Chairman: Do we have a suggestion? Mr. Swart has expressed reservations about September.

Mr. Swart: No.

Mr. Chairman: You have not?

Mr. Swart: No, I do not have any reservations about September. I am just saying that if we were going to adjourn at the end of this month--

Mr. Chairman: You had better not plan on July.

Mr. Swart: No, I do not think we are going to plan in July.

I move that the committee sit and deal with these matters in early September, the exact date to be determined later.

Mr. Chairman: Right.

Mr. Swart: I assume it would be after Labour Day or very shortly after Labour Day.

Mr. Chairman: Are there any other suggestions?

Mr. Sargent: What was that again?

Mr. Swart: I was moving that this committee sit to start dealing with these ABCs early in September, the exact date to be determined later. I assume it would be very shortly after Labour Day.

Mr. Chairman: Would you include the authority for the chairman to approach the House leaders and request four weeks in September?

Mr. Swart: Yes, I am also moving that such a request be made by our chairman to the House leaders.

Mr. Chairman: Is there any further discussion?

Mr. Lane: What day does Labour Day fall on?

Ms. E. J. Smith: It is early. I think it is September 1.

Mr. Swart: I have a calendar here.

Mr. Chairman: We could well start on September 2.

Mr. Swart: Labour Day is September 1 this year. If I make it in early in September--

Mr. Chairman: That is a Monday, is it not?

Mr. Swart: Yes.

Mr. Chairman: We could possibly sit beginning with the day after Labour Day, if desired.

Ms. E. J. Smith: Yes.

Mr. Swart: Yes.

Mr. Sargent: Let the chairman decide.

Mrs. Marland: That is fine. Leave it up to the chairman.

Mr. Chairman: It would be helpful if you would. Ms. Smith knows what

House leaders' meetings are like. Everybody is crying for the same thing. I would like to get requests in in writing early if we can do that.

Can I suggest that any further meetings of this committee be at the call of the chair immediately we have some information or some suggestions from the research group as to any possible travel so that we can determine any necessary budgets?

Mr. Swart: That is reasonable.

Mr. Sargent: I will second that.

Mr. Chairman: All in favour?

Mrs. Marland: There may well be. The Ontario Land Corp. may involve some travelling.

Mr. Chairman: As a matter of fact, that was mentioned. Ms. Smith mentioned that it could well; a couple of the others too.

Mrs. Marland: The OLC might be very educational in the sense of seeing what it has.

Mr. Chairman: If we are setting aside September for hearings, and I do not know whether it is going to be oral hearings or not, and it is quite possible that there is some travelling required to do some of these things, that could be done prior to September.

Mrs. Marland: It could be done as part of it as well, could it not?

Mr. Chairman: Depending on the amount of time we need for the hearings.

Mrs. Marland: That is right. It is possible that some of the boards associated with some of these groups could be wherever we are going. We could meet them there. In case the House does sit well into July, we should leave August clear; we should leave at least leave one month clear. Not that it is going to be vacation, but clear to spend in our ridings, especially if we are going to be busy.

Ms. E. J. Smith: Somebody somewhere may take a vacation too. They will not admit it, but they might do it.

Mr. Chairman: Nobody ever admits to that.

Mr. Swart: Obviously, some details are going to have to be worked out. By and large, I am quite prepared to leave them in your hands, but if it is helpful to you, we could have one person from each of the parties whom you could contact with regard to procedure, rather than calling the whole committee together. I suggest that. I would be willing to name myself for the New Democratic Party and you can get somebody else from each of the other parties.

10:30 a.m.

Mrs. Marland: That is a good idea.

Mr. Chairman: I am certainly agreeable to that. Perhaps Ms. Smith for the Liberal Party? Who wants to volunteer for the Conservatives? The vice-chairman, perhaps, for the Conservative party, as well as myself. Okay? The other meetings will be at the call of the chair, we are agreed. Anything else for the good of the cause?

Mr. Sargent: I move that we adjourn.

Mr. Chairman: It has been moved that we adjourn.

Mr. Swart: Just before we adjourn, I want to clarify something. I have not been on this committee (inaudible). I presume our terms of reference are such that, when dealing with any committee, we can make recommendations in any manner, whether it is in regard to government policy, administration of the committee or whatever. It is wide open, I presume. Am I correct in assuming that?

Mr. Chairman: I have to assume from reading the terms of reference that we can do anything we want to as far as recommendations on a committee are concerned. Whether the House accepts them or not is another thing.

Mr. Swart: I know.

Mr. Chairman: Okay. The terms of reference, starting here: "The standing committee on government agencies retains this responsibility, and in addition is"--

Wait a minute now; we will start at the top. Where are we starting?

Interjection.

Mr. Chairman: "The latter two committees were given the power to review the operations of agencies, boards and commissions and certain corporations with a view to reducing possible redundancy and overlapping. The standing committee on government agencies retains this responsibility, and in addition is required to consider the following: improving accountability of agencies, rationalizing the functions of the agencies, identifying those agencies or parts of agencies which could be subject to sunset provisions and revising the mandates and roles of agencies."

That pretty well covers the--

Mr. Swart: Yes, the mandates and roles does.

Mr. Chairman: Do I understand that we also have the responsibility of reviewing appointments to committees now?

Mr. Swart: Gentlemen, you would know that better than I. I understand there is some controversy over that.

Ms. E. J. Smith: That is currently in the other committee.

Mr. Chairman: I recognize that.

Ms. E. J. Smith: Mr. Mancini reported at our caucus on what they were doing, and they are working on it now.

Mr. Chairman: There was some question on that in this committee, Ms. Smith. This committee felt that this committee should have the power to review appointments to committees. I understood there was some discussion about appointments to the effect that the standing committee on the Legislative Assembly would review general appointments of the government and this committee would review appointments to agencies, boards and commissions.

Ms. E. J. Smith: I suggest that, because there was some confusion even in the report that came to us yesterday in some sense, we should sit down with the other committee.

Mr. Sargent: That is a good idea.

Mrs. Marland: What was the other committee?

Ms. E. J. Smith: Procedural affairs. We are an offshoot from it. We have just been created. This function used to be the function of the procedural affairs committee, although it was a different function in one sense. It was all the same committee, so it did not matter.

Mrs. Marland: I was on it.

Mr. Chairman: There is a fine point here. We have been given agencies, boards and commissions. It seems logical to me that if we are taking over that responsibility, we should also have the responsibility for the appointments to those commissions.

Ms. E. J. Smith: I do not disagree with you, but then I am only saying to you that they seem to be discussing it.

Mr. Sargent: Mike Breaugh is the chairman of that.

Ms. E. J. Smith: Yes.

Mr. Sargent: What powers does it have?

Ms. E. J. Smith: If you are talking about appointments, not all appointments are to agencies, boards, and commissions. Most of them are, but other appointments are to the Legislative Assembly. For instance, the ones mentioned yesterday were such things as the office of the Speaker of the House and the office of the Sergeant at Arms. All those are appointments, but they are not really agencies, boards and commissions.

I do not think it is yet determined which things are to be reviewed. In other words, this is still part of a report that procedural affairs committee is in the process of putting together.

Mr. Chairman: There is no procedural affairs committee at the moment.

Ms. E. J. Smith: Yes, there is.

Mr. Chairman: There is a standing committee on the Legislative Assembly.

Ms. E. J. Smith: It is okay. You are being--

Mr. Chairman: That is a very important distinction. It was divided up and the responsibilities were shifted elsewhere. We inherited the agencies, boards and commissions.

Ms. E. J. Smith: I see. Okay.

Mr. Chairman: I am making the point that, this being so, we should have the whole bailiwick.

Mr. Swart: It seems to me that a ruling has to be made on this by someone higher than us. I am afraid that if we try to get the two committees together, it still might not resolve it. Is this not a matter that should be taken to the House leaders and perhaps ultimately even to the Legislature? It is the Legislature that determines our terms of reference. I am not sure it needs to go there. It probably can be settled among the House leaders, but it should be settled so that we know.

Ms. E. J. Smith: I agree. It seems to me that we should reconvene this meeting and make a motion that the house leaders be asked to clarify this situation.

Mr. Chairman: All in favour?

Mrs. Marland: No. I would like to make a comment. My comment would be that--

Mr. Chairman: Wait a minute now. If you want to make a comment, you are going to have to allow us to reconvene the meeting.

Mrs. Marland: Did we move adjournment?

Mr. Chairman: We have moved adjournment.

Mrs. Marland: Did we vote on it?

Mr. Chairman: Not really.

Mr. Swart: No, we did not vote on it.

Mr. Chairman: Okay. Carry on.

Mrs. Marland: We have a committee called the standing committee on government agencies. What is the other one called?

Ms. E. J. Smith: The standing committee on the Legislative Assembly.

Mrs. Marland: It would be very clear that the purviews of those two committees are in the names themselves. If there is any other direction or any other assumption, then it should be brought to our attention. In the meantime, I see it as the responsibility of the Legislative Assembly committee to deal with items within its purview, which may well include some appointments. I also see that the standing committee on government agencies would have the responsibility for everything to do with government agencies, boards and commissions. It is very straightforward and very clear.

Mr. Chairman: I share that view, but the fact is that earlier in the piece you authorized the chairman to approach members of the House leaders' committee. I have done so. We have not yet received an answer, but I can tell you that at that time, at least, realizing how quickly things change around here, all three House leaders were in agreement with the position this committee expressed. However, I have not yet heard anything on an official basis about what our responsibilities are.

Ms. E. J. Smith: It seems to me that we are dealing with a very practical problem. We can say it is all very clear, but it is not. It is as clear as mud, because that is not what is happening. Given that we have an opinion that we should have X responsibility, and given that it would seem another committee is at present discussing these things, we have a problem.

We have had two suggestions here. I am willing to go along with either one of them. One is that we get some discussion going with the House leaders. Another is that we get some direct discussion with the other committee. The least productive thing is for us to sit and say: "Obviously, we have no problem. It is clear that we have this and they have that." It is not clear or they would not be doing the other thing.

Mr. Chairman: We have only one alternative. I do not think the alternative of discussing it with the standing committee on the Legislative Assembly is an alternative at all.

Ms. E. J. Smith: Okay. Then let us discuss it with the House leaders.

Mr. Chairman: I do not think it really has the responsibility to determine who has that responsibility, if you follow me. It seems to me that it should be either the House leaders or Legislature itself.

Ms. E. J. Smith: I thought we reconvened in order to make a motion that we at least get some advice from the House leaders. We can then fight with their advice, but it is obvious that if we put this on a little list to go to the Legislature, we can look at it a year from next February.

Mr. Chairman: That is right.

Ms. E. J. Smith: The only practical thing to do is to draw this to the attention of the House leaders.

Mr. Lane: Right on.

Mr. Chairman: Absolutely. Does everybody agree with that?

Mr. Swart: Do you want a motion on that?

Mr. Chairman: Please authorize the chairman to approach the House leaders as the chairman of this committee rather than on a personal basis. Would somebody move that?

Mrs. Marland: I will move it.

Mr. Chairman: Do we have a seconder? Do we need a seconder?

Mr. Sargent: What is the motion?

10:40 a.m.

Mr. Chairman: The motion is that the chairman of the committee be authorized to approach the House leaders' committee with a request for clarification on the responsibilities--

Mr. Sargent: Of our mandate.

Mr. Chairman: --about our mandate vis-à-vis the review of appointments to committees that we review.

Ms. E. J. Smith: Boards, agencies and committees.

Mr. Leluk: Where did this idea originate in the first place? I recall the initial meeting of this committee. We were talking about this committee specifically having as one of its responsibilities the review of appointees to the various commissions, boards and agencies. Where would that have come from if we are now trying to get some clarification of whether we have this responsibility?

Mr. Chairman: May I clarify that? There was some question initially about whether anybody would have that authority. It was being discussed by the House leaders' committee, and this committee authorized me on a personal basis to approach the House leaders to get some clarification. I approached the House leaders, but I did not get any clarification. I just expressed the view of this committee.

Since we have had no word back on an official basis, the effect of this motion would be to authorize the chairman of the committee, rather than Bud Gregory personally, to approach the House leaders with an official request for clarification.

Ms. E. J. Smith: To be honest about this thing, I sat as one of the whips that looked at this whole change. As you know, we kept eliminating down to those things on which we had agreement. In effect, you did not get a whole package adopted; you got portions that had been agreed upon adopted, and the portion relating to appointments was not a part of that package. In a sense, what is happening is that the old committee, which was the only committee that existed at that time, is still in the process of looking at those parts of the original proposals that have not yet been dealt with, and that includes appointments.

Mr. Swart: I think all of us had the impression to some degree that this would be the responsibility of this committee. The terms of reference certainly do not state that. Therefore, it is necessary now to get this direction from the House leaders, and I think the resolution to get that is appropriate.

Mr. Sargent: Heretofore, for the past 100 years, I guess, the appointments to these boards were made by the government. I like the thrust of what may happen here. It would be more democratic, and that is the aim of the Premier (Mr. Peterson) and of the cabinet. I do not think it is a decision that--

Ms. E. J. Smith: It has not been made.

Mr. Sargent: --that has been.

Ms. E. J. Smith: That is right. That is my point: It was not one of the things that was agreed upon. It has not gone to cabinet.

Mr. Chairman: It was a government initiative, or at least an initiative of the accord. That is where the thrust came from.

Ms. E. J. Smith: Yes, but I think Mr. Sargent's point is well made. The Premier has said, "We love openness: no fences, no walls, no such and

such." If you are talking about a detailed agreement, nothing has been done. It is as plain and simple as that.

Mr. Chairman: That brings us back full circle to where we were. The fact is that we requested this right, and this committee unanimously agreed.

Mr. Sargent: I like it myself, but Ms. Smith and I cannot commit the government to this.

Ms. E. J. Smith: That is right. It is not part of what has been done.

Mr. Chairman: If it is the decision of the government that no one shall review those appointments, I do not think the government has the right to make that decision. It has to be a decision of the Legislature. If the Legislature, in its wisdom, decides that the appointments should be reviewed--

Ms. E. J. Smith: I have no idea about that and I do not know that we can say that. Cabinet has always appointed everyone down to a liquor vendor; that is the way it has always been. Now we are discussing whom it does and whom it does not appoint, and that has not been agreed on.

Mr. Chairman: You are putting words into my mouth. I did not say this committee or any other committee should have the right to make appointments. What I said was that with the new open concept, the committee, if it is investigating agencies, boards and commissions, should surely have the right to review those appointments to see whether they are good ones or bad ones. That goes with the open concept. How can we argue?

Mr. Swart: Whether any decision has been made that anybody is going to review these appointments or make them, or whether that decision has been made and they have not decided yet who should do it, the resolution we have before us is in order.

Mr. Chairman: That is right.

Mr. Swart: I think we should proceed.

Mr. Leluk: There is another question, too. If this committee were to be given a mandate to review these appointees, how much weight would this committee carry with respect to the final decisions made by the Premier and his cabinet?

Mr. Chairman: None whatsoever.

Mr. Leluk: Maybe we should look at that as well. Is there any point at all in reviewing these appointees?

Mr. Chairman: To go back to the first time we discussed this, and I brought the suggestion--

Mr. Leluk: What did they say? Yes or no?

Mr. Chairman: What I was requesting was that if anybody was going to do it, this is the committee that should. I was not saying we should or should not; it is not within our authority to grab that power. However, if any committee is doing it, it does not seem logical to me that the standing committee on the Legislative Assembly should do it. The group that should do it is the group that is investigating the committees. These are the appointments we are talking about. That is all I am saying.

Mr. Sargent: I think everybody in this room agrees there should be balance in these appointments. That would be the aim of the Premier: balance. At this point it is sitting out there, and we cannot resolve it right now.

Mr. Chairman: If we pass this resolution, it does allow the chairman to make an official request for clarification. That is all it is doing.

Mr. Lane: We have already agreed on that.

Mr. Chairman: Is the committee in favour of this motion? I think Mrs. Marland moved it. All agreed?

Motion agreed to.

Mr. Chairman: Welcome, Mr. Epp. It is nice of you to stop by. We are just about to adjourn.

Mr. Epp: I am sorry, Mr. Chairman. I had a private bill to introduce. I also had a tremendous group of kids from my home constituency who wanted to have their picture taken with their local member.

Mr. Chairman: I appreciate that.

Mr. Epp: Future voters.

Mr. Chairman: I would like to get into that picture too.

Mr. Epp: They were asking about you.

Mr. Chairman: Were they? I spend a lot of time in Waterloo. I buy most of my shirts there. It is a great place.

Ms. E. J. Smith: What do you do if you do not agree with your own private bill?

Mr. Chairman: There is nothing before the committee, and I welcome a motion to adjourn. All in favour? Carried.

The committee adjourned at 10:47 a.m.

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A-6

STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW

WEDNESDAY, JUNE 25, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Clerk: Arnott, D.

Clerk pro tem: Decker, I.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, June 25, 1986

The committee met at 10:10 a.m. in committee room 2.

AGENCY REVIEW

Mr. Chairman: The matter we have before us is a report prepared by John Eichmanis. These are the replies to the letters we sent out to about 70 groups, I believe, asking them to report back. You have before you the letters we have received so far.

The report shows the number of meetings in 1985 and a gives short resumé of what was discussed at that meeting. How do you want to handle them? Do you want to go over them one by one? Does anybody recognize any particular commission or board he would like to include in our list?

Mr. Mancini: I would like to include the Farm Products Appeal Tribunal on page 7 of the report the research officer provided for us.

Mr. Chairman: Anyone have any comments on that?

Mr. Swart: I have no comments on that one in particular, but I want to say a word or two on our procedures, and perhaps you would like to give some direction on them. We have these before us, and it seems to me that our job is to look them over and determine which ones we should examine, either because they may be redundant or because they need an examination, because they may not be carrying out the terms of reference. Therefore, it seems to me that we want to go over all of these one by one, whether that is today or some future day, and decide which ones we ought to pursue.

For my purposes, in just looking them over while waiting for the meeting to start, I have to say there are many of these I am not familiar with. With the small amount of information, and I realize it is all we asked for, it leaves us in somewhat of a dilemma as to which ones we should be calling before this committee. Maybe we would want to go over these one by one and determine from the limited information we have which ones we want further information on to determine if we want to pursue them.

Mr. Chairman: The clerk has on file the full answer they sent back to us. We felt this report was preferable to copying all of that information and giving every member copies of it.

Mr. Swart: I know we did not ask for it right now.

Mr. Chairman: We can come up with the full text of the answers.

Mr. Mancini: We do not want to be snowed under by paperwork. I think the clerk, the staff and yourself, Mr. Chairman, have done a good job in providing us with exactly what we asked for and with enough detail to have us appeal for more information or be satisfied with what we have.

We have always to consider that there are several hundreds of these agencies that are before us for possible hearings. To think by meeting once a week we are going in any way to be able to find ourselves in a position to have an in-depth review of all of them or be able to find private personal time to review all of the documentations that go with these agencies, frankly is a fallacy. I think we should ask the members of the committee what they are interested in and then try to concentrate on those eight or 10 and try and do a good job on those instead of using a shotgun approach and not doing anything.

Mr. Chairman: As you know, in a previous meeting we did select six agencies, boards or commissions we were going to proceed with. The idea was when these came back we would look over these in conjunction with other recommendations from members who had not already recommended one and select further ones as we go along.

Mr. Lane: Mr. Mancini has suggested the Farm Products Appeal Tribunal as one we would be looking at. You mentioned we had more information than what is here. I see there were 40 hearings in 1985. Do we have all of that material?

Mr. Eichmanis: No, just the one.

Mr. Chairman: We have just what we asked for at the last meeting.

Mr. Lane: I see. That could be a large amount of material.

Mr. Chairman: We do not have all the answers back yet. They are still coming in. As a matter of fact, I believe about a dozen came in today. We have a couple of answers back, letters saying that, according to Management Board, they are no longer regarded in the same light as an agency, board and commission. We have rewritten them and suggested that our information is that they still come under the authority of this committee to investigate should we choose to.

A couple of them have taken that too literally. They were of the opinion that we were concerned about the fact that they would now not be under our authority to investigate. We have rewritten them and instructed them that we are still in that position. We expect further answers back from them.

I am not putting down Mr. Mancini's suggestion, but it might be premature to pick one or two or pick too many of them at this point before we get back all the replies. What I would like the committee to do, or my advice would be, is to take this away with you and read it over. When we get further information, it will be forwarded to you if we do not have another meeting soon. From that perhaps we could come forward at a later meeting with further recommendations.

10:20 a.m.

I would like to get back to the Residential Tenancy Commission, which we were talking about with Mr. Sargent. Just to repeat, it has been pointed out that changes in housing legislation, Bill 51, will virtually eliminate the Residential Tenancy Commission. It will no longer be an active body as such. Another body will be set up. The Rent Review Hearings Board will be established.

I am just asking, particularly Mr. Sargent and the committee as a whole, whether we should be reviewing a committee that is no longer in operation or pick something else and wait perhaps a year. If we want to go at the Rent Review Hearings Board, we can go at it then. I do not know.

Mrs. Marland: What is the status of the one that is going to be established under Bill 51? Is that going to be established by this committee in terms of appointments? What is going to happen with that?

Mr. Chairman: Do you mean with respect to this committee having some responsibility for the appointments? I would say no. That is the government's responsibility. The cabinet will make that decision.

Mrs. Marland: At a previous meeting we discussed whether appointments might be made or recommendations might be dealt with by this committee after the appointments were suggested.

Mr. Chairman: The discussion we had was whether this committee would have the authority to review government appointments. I do not think we ever thought we would have any responsibility for appointments. That is a cabinet responsibility. The discussion we had was whether it would be the standing committee on the Legislative Assembly.

Mr. Mancini: A lot of these people might be hired through the regular process of applying for jobs. They will be under the ministry and will conduct hearings. There will be a panel and they will be assessed. I think a lot of them will be like that.

Mr. Chairman: The ongoing discussion is whether this committee or the standing committee on the Legislative Assembly will be reviewing these appointments, looking at them or doing whatever we wanted to do with them. That has not been resolved as yet.

Mr. Sargent: Conversely, a lot of those commissions in this big binder are dead, are they not?

Mr. Chairman: I do not know.

Mr. Sargent: Are they all alive?

Mr. Chairman: As far as I know. I assume the ones we wrote to are ongoing, but there may be some that self-destructed. I do not know. It is not a bad idea.

Mr. Lane: I think Mr. Sargent's choice was a good one, had this change not come about. I think it would have been a very interesting exercise to have had those people before us to ask them questions and get some answers. I do not see any point in doing it after the fact. If they are no longer around, there is no point in our talking about what they did or did not do because they are not going to be doing it any more in any case. Maybe Mr. Sargent would like to defer until we have the full list in and then he could have a wider choice of opportunities to pick one. It would seem to me at this point it would be redundant.

Mr. Chairman: Further to that, is it your thought that we should carry on with just five rather than the six we selected and then do a further six in the winter session?

Mr. Sargent: I agree.

Mrs. Marland: Sure.

Mr. Swart: That is fine with me, but if Mr. Sargent feels strongly that there is some other agency we want to name, we can include it. I do not have any objection to that, but in the meantime we can carry on with five.

Mr. Chairman: Surely, Eddie, you can come up with a suggestion.

Mr. Sargent: I can think of a member of parliament pension fund. We could increase that a lot more.

Mr. Chairman: One that would at least take us to Alberta on our way to British Columbia this August would be certainly a welcome suggestion.

Mr. Sargent: Okay.

Mr. Chairman: That should not be on Hansard, I believe. Strike that last remark.

Mr. Sargent: We are on the blower now, are we?

Mr. Lane: I would like to suggest that since Mr. Sargent was on the committee that had already made a choice of the first six, if he makes a choice of another one, then that should be considered as being in the first six we will be looking at, so that he will not lose his place in the line, so to speak.

Mr. Chairman: I am open on that and I guess the committee is too. I think that is what we are saying. If Mr. Sargent has another suggestion--

Mr. Sargent: Play it by ear.

Mr. Chairman: Play it by ear. Come up with a good one that is going to do what I suggested and it will probably get good consideration. We will take this away with us, forward further summaries to you as they come and then we can make a selection as we go along.

Mr. Sargent: All right.

Mr. Mancini: Mr. Chairman, I want to ask a question about CJRT-FM. I was wondering if the researcher could tell us what exactly is CJRT-FM and what has been our involvement. I presume it is a radio station.

Mr. Eichmanis: Yes.

Mr. Mancini: What has been our involvement in this radio station in the past?

Mr. Eichmanis: It is Ryerson.

Mr. Mancini: It is a university.

Mr. Eichmanis: Polytechnic, I think it is called now. My understanding is that they were experiencing some financial difficulties some years ago and the government decided it would help to sustain that radio

station by providing some money to it. The government got involved by providing funding for the continuation of the station. That is about all I know about it.

Mr. Mancini: Do you have any details whatsoever?

Mr. Eichmanis: No.

Mr. Mancini: Can you get some?

Mr. Eichmanis: Sure.

Mr. Chairman: My understanding is that this will still fall under the jurisdiction of this committee, according to what we heard from Management Board of Cabinet.

Mr. Mancini: They do not think so.

Mr. Chairman: I know they do not think so.

Mr. Mancini: So we might as well know what is going on. Are they still being funded?

Mr. Eichmanis: They get \$25,000 a year.

Mr. Mancini: And we make appointments?

Mr. Eichmanis: Our terms of reference are appointments and moneys coming out of the consolidated revenue fund.

Mr. Mancini: It seems like a very interesting situation. I have never come across something like this before.

Mr. Eichmanis: I will provide the committee with more details.

Mr. Mancini: It is more out of interest than anything else. It is not a lot of money--\$25,000--but it is an interesting situation.

Mr. Chairman: On the committee's instructions, we sent a letter to the House leaders requesting that we be allowed to sit for three weeks in September. I am told that we are the first committee to make such a request; so there is a good chance we will have the opportunity to sit then. At present, all we have arranged for is three weeks of sitting in September.

Mr. Lane: That is starting from September 2, is it?

Mr. Chairman: In September. I do not know when it is. When is it?

Mr. Eichmanis: It is immediately after Labour Day, I believe.

Mrs. Marland: That is right.

Mr. Chairman: We have no plans for the latter part of July or August at this point. Are we happy with that? Why is it I can read your mind, Mrs. Marland.

Mrs. Marland: Because you were reading it yesterday.

Mr. Chairman: You were going to say something.

Mrs. Marland: Not right at this moment, no. Thinking back on the former standing committee on procedural affairs that I had the pleasure of serving on last year, it seems to me there were certain discussions that took place in another format.

Mr. Chairman: I think what you are saying is, is the committee going to be travelling and, if so, when? Is that fair?

Mr. Marland: That is fair.

Mr. Rowe: He reads your mind well.

Mr. Chairman: Are there any thoughts from the committee on that?

Mr. Mancini: Do you mean on the schedule?

Mr. Chairman: On whether this committee should be travelling.

Mrs. Marland: Is there a lottery corporation in British Columbia?

Mr. Chairman: I do not know.

Mrs. Marland: Is there one in Alberta?

Mr. Chairman: I am ready to accept any motions.

Mr. Swart: On lotteries?

Mrs. Marland: Yes.

Mr. Swart: Yes, there is the Western Lottery Corp., I believe. It is a combination of three or four provinces, which have the Western Lottery Corp,

Mr. Rowe: Is it in Calgary?

Mr. Swart: I do not know where the headquarters is.

Mr. Rowe: I am not sure either. It runs in my mind it might be in Calgary.

Mrs. Marland: What I am interested to know is if it includes hospital lotteries.

10:30 a.m.

Mr. Swart: I brought before the committee the question of lotteries as provincial lotteries. I am not sure what the Western Lottery Corp. funds. I suspect it does help fund hospitals.

Mrs. Marland: As critic for the Ministry of Citizenship and Culture, I think the Ontario Lottery Corp. is one of the items on our list. One of the reasons I am interested in that is that when I saw in the throne speech of April that lottery funding will now go to the hospitals, whereas lottery funding previously went to culture and the arts, I had some concern that we were going to have a deficiency in available funding because of the hospitals.

I certainly agree with it going to hospitals because it is an obvious place, but I am wondering, when we look into the Ontario Lottery Corp., if we can compare it with others, whether we might be able to consider lotteries for hospitals because they are needed. That is something we might be interested in investigating.

Mr. Mancini: Before we get to the fine details of what our agenda is going to be for the months that the House will not sit, we should probably finish discussing all of our other business. Have we done that?

Mr. Chairman: I think we have pretty well covered it. Is there anything else you have, John?

Mr. Eichmanis: I merely want to point out that the previous committee, the standing committee on procedural affairs, agencies, boards and commissions, did review some of these agencies previously, and Mrs. Marland will know this. It recently did the Old Fort William Advisory Committee, and the last minutes of that advisory committee deal with the committee's recommendations on that subject.

As well, the former committee reviewed the Board of Visitors of Homewood Sanitarium and recommended that the board be terminated. I just want you to know that when you are dealing with considerations.

Mr. Sargent: Along that line, doing a quick analysis of this, there are probably 20 or 30 of these agencies that met less than twice last year; in other words, about 20 or 30 of them should be abolished or could be abolished.

Mr. Eichmanis: I caution you in this regard. Under the titles of some these agencies, I have purposely indicated they are quasi-judicial. The difficulty with abolishing those is that they are usually part of an administrative appeal process. Although they may meet only once, to abolish them means you are denying somebody the right of appeal; in other words, from a decision of a director of a ministry to deny somebody a grant, privilege or whatever it happens to be, there has to be some appeal review mechanism to which a person can go.

Mr. Sargent: It is part of the framework of the ministry.

Mr. Eichmanis: That is right. In those instances, it would be difficult to abolish those. The government at various times has attempted to amalgamate those kinds of appeal tribunals that do not seem to be doing a great deal.

Mr. Sargent: Could our approach be then to ask them to show cause why we need them?

Mr. Eichmanis: The need is a procedural one. It is almost like a court-type situation; that is, if there is an administrative decision made by somebody, there has to be a right of appeal. If you eliminate the body to which the appeal is made, you have a real problem.

Mr. Sargent: We may be paying someone \$45,000 a year to be the chairman of a board that meets only once a year. That is the point I wanted to clarify.

Mr. Eichmanis: I realize that could be a problem.

Mr. Chairman: Let us not eliminate them all, Eddie. Let us leave some for some of us when we retire, shall we?

Mr. Swart: There would not be much point if they meet only once or twice a year.

Mr. Chairman: For \$45,000, I do not care. I might even consent to \$52,000.

Mr. Sargent: Are we on tape here?

Mr. Lane: Mr. Sargent has raised a valid point, but I suspect that most of the boards and commissions that meet only once or twice a year are paid on a per diem basis, and in most cases I suspect we are not really talking about any large amount of money. It might be worth while to look at it, but I doubt there is a great amount of money being expended on boards that are meeting once or twice a year.

Mr. Swart: It may be clear in the report we have, but it seems to me the point that has been made that the fact that many of these boards are boards that adjudicate under the act, or something of that nature, is something we should know. It may be all on here, but if it is not, I think it should be clearly stated on the reports we get, because I am sure that will be a determining factor on whether we take a look at the board to see if it is redundant. If it has to be there, there is no use looking at it.

I am just looking over this, and I think it may be clear, although it may not say that in so many words. I would ask our staff if they might make that clear on the next report and also in this report if there are any that are not clear.

Mr. Sargent: Say that again.

Mr. Swart: There are many of these boards and commissions that are set up legislatively--

Mr. Sargent: I am not worried about all that. I do not want to know all that.

Mr. Swart: I want to know that on each one of these.

Mr. Sargent: The researcher has done a good job to this point.

Mr. Swart: Yes. I am not complaining about it. I am just saying it is something we have to know, and if it is not clear on any, it should be clear whether by law that board has to be in place.

Mr. Eichmanis: I have tried to indicate underneath some of them that it is a quasi-judicial tribunal. That may not be clear, and I will go over it again and make sure it is absolutely clear.

Mr. Chairman: Is there anything further on that matter? I do not think we have anything more on the official agenda.

I would like to request the committee, if it is agreeable, to ask the staff to leave us alone for a few minutes and we will be in camera.

The committee continued in camera at 10:36 a.m.

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A-7

STANDING COMMITTEE ON GOVERNMENT AGENCIES

ORGANIZATION

THURSDAY, JULY 3, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Epp, H. A. (Waterloo North L)

Grande, T. (Oakwood NDP)

Leluk, N. G. (York West PC)

Mancini, R. (Essex South L)

Marland, M. (Mississauga South PC)

Rowe, W. E. (Simcoe Centre PC)

Sargent, E. C. (Grey-Bruce L)

Smith, E. J. (London South L)

Swart, M. L. (Welland-Thorold NDP)

Clerk: Arnott, D.

Clerk pro tem: Decker, T.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, July 3, 1986

The committee met at 4:12 p.m. in committee room 1.

TRAVEL ITINERARY

Mr. Chairman: The clerk has put forward a suggested itinerary for our travel to the west. Members have copies in front of them. On item 1, it was suggested, instead of beginning on August 4, that we begin on August 7, in other words, shifting back a day or two because of precommitments of some members. It still falls within the first two weeks in August.

In item 1, for the Western Canada Lottery Corp. in Winnipeg, Manitoba, substitute August 7 for 4 and August 8 for 5. We will travel to British Columbia on August 9 instead of August 6. The British Columbia Lottery Corp., Kamloops, BC, is on August 11 and 12. Vancouver will be on the balance of August 9 and August 10.

Mrs. Marland: How do you go from August 11 to 12 and back to August 9 and 10?

Mr. Chairman: We do not. We are just switching places. We will travel to British Columbia on August 9 directly to Vancouver, so that we will have the balance of August 9, plus the full day of August 10 in Vancouver and then August 11 and 12 in Kamloops. On August 13, instead of August 11, we travel to California. Then we go to the California State Lottery in Sacramento for Thursday, August 14, and Friday, August 15, and travel back to Toronto on Saturday, August 16. If anyone wants to come home by way of Reno as a side trip--

Mr. Lane: We would save a little money because we would not have quite as many meals. We are away one day less.

Mr. Chairman: We can spend the savings in Reno.

Mr. Lane: I did not say where we should save it, but we would not spend it on the trip.

Mr. Chairman: It would not matter a damn whether we came back Saturday or Sunday.

Mr. Swart: I am sorry I did not get the first dates down. We leave on August 6?

Mr. Chairman: On August 7, and we arrive in Winnipeg on August 7. It is not that far. We spend the balance of August 7 plus August 8 in Winnipeg.

Mr. Swart: We travel to British Columbia on August 9.

Mr. Chairman: Right, and we will have the balance, whatever is left of August 9 when we get there, plus August 10 in Vancouver.

Mrs. Marland: You are saying we have to have the late start because of prior commitments of some members?

Mr. Chairman: Two of the Conservative members. This is just a suggestion. Neither the chairman nor the vice-chairman can leave prior to that.

Mrs. Marland: That is fine. I would not be able to go to California because I have to be back in Toronto on August 14, but that is fine. I could do the first portion. As printed, either itinerary is fine for me because they both return on August 14.

Mr. Chairman: There is nothing more sacred about my appointment than there is about yours. If it fouls you up, I do not want to change things.

Mrs. Marland: You are the chairman. It should suit you.

Mr. Chairman: That and 50 cents will get you a cup of coffee.

Mrs. Marland: I think I told you my son is rowing for Canada in the world championships and in the Commonwealth Games. I am leaving on August 15.

Mr. Chairman: The other alternative is that we could follow the schedule as laid out. I could meet you in British Columbia on August 7.

Mr. Lane: So could I.

Mr. Chairman: It would simply mean that the two days in Winnipeg would be minus John and me.

Mrs. Marland: Maybe the clerk will find out how it suits the majority and I will go along with that. It may suit the majority to do what you want to do.

Why was California selected over Nevada? I thought Nevada had more open lottery situations than California has?

Clerk of the Committee: As far as I know, the state of Nevada does not have a lottery per se. It has a gaming commission to govern its gambling casinos and other sorts of things, but it does not have a lottery system, whereas the state of California does.

Mr. Swart: On the agenda, we go to Kamloops and spend two days there--in fact, we go to Vancouver first. Will we be dealing with lotteries in Vancouver at all?

Mr. Chairman: The original thought was that we go to Kamloops first. Then, because it was a weekend, we could spend it in Vancouver. If we make this change, we would still be going to Vancouver on August 9 and 10, which is the weekend, and hitting Kamloops later.

Mr. Swart: But obviously the lottery corporation operates out of Kamloops and there is no lottery corporation in Vancouver.

Mr. Chairman: No. It is just a nice place to spend the weekend since we have to spend it somewhere.

Mrs. Marland: Kamloops and Vancouver are fairly close. What about the second itinerary?

Mr. Chairman: I think that was part of it. If we went to Vancouver on the weekend, we could have a look at the sky train and have a ride on it, if we wanted to.

Mrs. Marland: The Urban Transportation Development Corp.

4:20 p.m.

Mr. Chairman: We might even be able to arrange a tour through the central control.

Mr. Lane: I think it would be very worth while if we could.

Mr. Swart: I presume we will be getting information and an agenda from our staff on whom we will be meeting and background on the lottery corporations, so that when we go we will know the actual functioning of the respective lottery corporation, all that sort of thing. It will be automatic. It will all be coming.

Mr. Chairman: Yes. It is just a matter of locking in the dates for us and we certainly have to have all that background material. We could use a briefing session before we go.

Mrs. Marland: We have done that before and it is really worth while. Then when you are there, you really know what questions you want to ask. You can really get into it. What about the second itinerary?

Mr. Chairman: The second one was the thought of starting off by going southeast to Atlantic City, New Jersey, starting a little earlier, on August 3 to Atlantic City and then to the New Jersey State Lottery on August 4 and 5, and going from there to Winnipeg. Winnipeg would be two days later. We would spend the first two days in Atlantic City, New Jersey, and we would come back just about the same day, August 14. We would extend our trip by two days doing that.

Mrs. Marland: I cannot compare the California State Lottery to the New Jersey State Lottery. I wonder which is the more relevant for us to look at.

Mr. Swart: The point is well made. I am not sure how you determine and compare those, but it might be of some value for the staff to look into the respective ones in California and New Jersey and have a recommendation, if they can make a recommendation, on which they think might be the more useful to us.

Mr. Chairman: The one problem we do face was that it had been suggested at the last meeting that the west would be to the way to go because of the combination of that and UTDC. The second problem is one of timing. Whatever we do, I must have this before the Board of Internal Economy on Monday, which does not leave us a lot of time. I think the staff has done what we asked. They have given us that and the possibility of hitting New Jersey as well.

Mr. Swart: We have the two here and staff may have looked into it a bit, but what we mentioned in Nevada exists in New Jersey too. They have much more than the lottery corporation in New Jersey. That might affect the operation of the lottery. There would be some conflict in that sort of thing. From that point of view, it would seem California, which I do not think has casinos, does it?--

Clerk of the Committee: Not as far as I know.

Mr. Swart: --might be more advantageous to visit, where there is a lottery corporation more similar to ours than New Jersey's would be.

Mr. Malcolmson: California also just recently established its lotteries. You might also get a much more elaborate account of why it brought in lotteries and what it thinks the good and bad points of lotteries are. It was only set up this year.

Mrs. Marland: If I am not mistaken, California is the largest state with respect to population, is it not?

Mr. Malcolmson: I think so.

Mrs. Marland: It is the size of Japan in geographic area.

Mr. Swart: New York is still the largest.

Mrs. Marland: In population?

Mr. Swart: I think so.

Mrs. Marland: Either of those itineraries is acceptable to me, if you want my opinion. As per Mr. Sargent's suggestion, it is important to try to key in with UTDC as well. Either of those would be fine for me. I would just have to miss the last portion.

Mr. Chairman: We lean towards California because we are going to be on the west coast anyway and it is a relatively short hop from there to California.

Mr. Swart: Is there a substantial difference in cost? Once you are out to Vancouver, it is--

Mr. Chairman: No, it is not. The two cost comparisons were--

Have you got the second one?

Clerk of the Committee: Yes.

Mrs. Marland: Actually, the difference is about \$400.

Mr. Chairman: That is to California.

Clerk of the Committee: This one takes you to Atlantic City.

Mr. Chairman: The Atlantic City one is cheaper? That includes California, does it not?

Clerk of the Committee: No.

Mr. Chairman: It does not?

The Atlantic City one is cheaper. Atlantic City is \$46,139 and the California one is \$46,555. We are talking about \$400.

Mr. Swart: I would then opt for the California one simply because it is more relevant to our operation here than the New Jersey one.

Ms. E. J. Smith: On the dates I have down for September, is the first date the 15th?

Mr. Chairman: No, those are sitting dates. That is when we are sitting in September.

Ms. E. J. Smith: We do not have anything in at the whip's level for this.

Mr. Chairman: We are just preparing it to submit. This is travel dates.

Ms. E. J. Smith: It is still sitting days.

Mr. Chairman: That is what we talked about last week.

Ms. E. J. Smith: It is in the whip's capacity I am speaking now. You do not have any dates in.

Mr. Chairman: Not for travel time.

Ms. E. J. Smith: But travel time is sitting time.

Mr. Chairman: I mean we are not taking up committee room space when we are travelling.

Ms. E. J. Smith: I am not worried about rooms. I am worried about bodies.

Mr. Chairman: I see. You have lots of bodies. You are the government. That is what they always used to tell us.

Ms. E. J. Smith: You are talking about two weeks there?

Mr. Chairman: No, not quite; 10 or 11 days.

Ms. E. J. Smith: Two weeks out of the schedule.

Mr. Chairman: Yes.

What we were discussing was either itinerary 1 or itinerary 2. Itinerary 1 takes us to the west coast and down to California. Itinerary 2 goes to New Jersey and to British Columbia. We do not go to California on the second one. We were discussing a changing of these dates. Instead of beginning on Monday, August 4, we will begin on August 7 and still end up back in Toronto on August 14 rather than August 16. In effect, we are gaining you two committee days by doing that.

Mrs. Marland: Mr. Chairman, if you will excuse me, I have to speak in the House.

Mr. Chairman: We have a quorum.

Mrs. Marland: You have a quorum and anything is fine with me.

Ms. E. J. Smith: I wonder if you help me when you are reporting. If you send people travelling, then you have the three weeks, the 1st, the 8th and the 15th. Those would have to be the same people?

Mr. Chairman: Not necessarily. It would be nice if there was some continuity, but we can make substitutions, which is done most of the time.

Ms. E. J. Smith: I know that. I do not want to send four people out travelling around and then have four different people writing the report. I am having my usual problems with scheduling. I am trying to get the gist of what you are doing. I thought Mr. Mancini was going to be here representing us.

4:30 p.m.

Mr. Chairman: This is based on the last meeting we had when we discussed some of the things we are going to be looking at. The Ontario Lottery Corp. is one that was opted for and we are looking at that. The Urban Transportation Development Corp. is the second one suggested by Mr. Sargent. We thought of doing the lottery corporations in Winnipeg, British Columbia and California. While we are in Vancouver, we have allowed some time on a weekend when we could have a look at UTDC, the sky train, the central control and that sort of thing.

The second trip is the option of going to Atlantic City, New Jersey.

Mr. Lane: On the second one, there would not be any possibility of adjusting dates to suit your schedule and mine. If that was chosen, I would just catch up with the committee in Winnipeg and not go to Atlantic City.

Mr. Chairman: I could go to New Jersey, but then I would have to fly back home instead of going to Winnipeg and fly from home to Vancouver.

Mr. Lane: Having to be back on August 5, there would not be any point in my starting on August 3. I would just catch up with the committee in Winnipeg if the second one was chosen.

Mr. Chairman: I am at your mercy. I think Mr. Swart opted for option 1.

Mr. Swart: I opted for California on the basis that I thought it would be more practical and the costs were not any greater. Looking at these costs--and I have not looked at them before--I note they do not include the cost of flights. Am I wrong?

Mr. Chairman: Yes, to Winnipeg, Kamloops, Vancouver, San Francisco, Sacramento: \$15,600.

Mr. Swart: That is right. They do.

That was the reason I opted for that, since there is practically no difference in cost. It seems to me the lottery corporation in California would be of more value to us than the one in New Jersey, where they have casinos and other gambling associated with their corporation.

Mr. Chairman: Do you have any problem with that, Joan?

Ms. E. J. Smith: I do not.

Mr. Lane: If we can accommodate number one with the dates I have suggested, I would be happy with number one.

Mr. Chairman: How about the change in dates, Mel? Does it give you any problem changing it from August 4 to August 7?

Mr. Swart: I guess it does not give me any problem that cannot be overcome. August 4 would be better for me, but it is not a problem that cannot be overcome.

Mr. Chairman: On one, we go on Monday and come back on Thursday; on the other, we go on Thursday and come back on Saturday.

Mr. Swart: The first and earlier one would be more convenient, but I accept either.

Mr. Chairman: I will go along with the thought on the first option. Leaving on August 4, I would not be able to join you until August 7.

Mr. Swart: I think it is more important that we accommodate you as chairman of the committee, unless it is difficult for the rest of us. I am prepared to do that.

Mr. Chairman: Thank you for that. I cannot change August 6. I have a meeting that just cannot be changed. It is locked in.

Mr. Lane: I have a responsibility in the House. Do you want a motion?

Mr. Chairman: Do I have one now? Did you move for option 1?

Mr. Swart: I will move that we accept option 1 for our travel relative to the lottery corporation.

Mr. Chairman: We need a motion to authorize the budget of \$46,555 and for me to present this to the Board of Internal Economy for approval.

Ms. E. J. Smith: I suppose this is a standard thing.

Mr. Chairman: Pretty much. We are locked into a time thing because the last Board of Internal Economy meeting prior to the adjournment of the House will be on Monday. We have to go before them. If the budget is approved and for some unforeseen reason we do not go, because somebody says we cannot go or whatever, then the budget will not be used, but at least we will have the approval for the budget.

Ms. E. J. Smith: The other meetings will be in Toronto?

Mr. Chairman: Yes. That is the regular committee budget. There is no extra for that.

Clerk of the Committee: This is a supplementary for the travel component.

Mr. Chairman: Remember I was there before? I said I probably would be returning with a supplementary budget.

Ms. E. J. Smith: I will move it then.

Mr. Chairman: So moved. All in favour? Carried.

Mr. Swart: May I make a comment? Technically, I should have made it earlier. It seems to me when we are going to this kind of expense and into this and that, we will have to have a fairly substantive report on the Ontario Lottery Corp. When we get back here in September, we will be spending a

substantial amount of our time looking into the corporation. We should do that if we are going to do this kind of travelling. I do not think we can give a minor report to the House. We have to do some in-depth investigation.

Second, it is important that we all be knowledgeable--and perhaps all members of the committee are--about our own lottery corporation before we take this trip. I am not sure of the best way to do that, whether we will have briefing books prepared for us by the Ontario Lottery Corp. or by our staff. If we are going to these other lottery corporations, we need to start our questions from the base of knowing the details of the operation of our own lottery corporation, even to ask all the questions we need to ask. I think we have to resolve that one way or the other and get those briefing books about the Ontario Lottery Corp. so we can read them ahead of time. I would like other members of the committee to comment on whether we want to have a day's meeting ahead of time with our own lottery corporation after we have read this over so we can be fully briefed. I do not think we want to go to those places cold.

Mr. Chairman: Mr. Malcolmson, would it be possible to have something together for us by a week from Wednesday?

Mr. Malcolmson: Sure.

Mr. Chairman: We could spend our regular meeting time on a Wednesday morning being briefed on the Ontario Lottery Corp.

Mr. Swart: If we could get these briefing books ahead of time so we have a chance to look over them at least for general information on our lottery corporation, then if we want, we can have somebody in from the Ontario Lottery Corp., the general manager or whoever it is, after we have read over these books, we can ask questions where we do not have a full understanding. The briefing books may be enough. The ideal system is to have somebody here afterwards and we can ask them.

4:40 p.m.

Mr. Lane: I agree that we need some information on our own system before we start looking outside the province to find out what other systems are like. Mel is right. We have to produce a pretty good report and I see no reason we should not be able to. If there is not sufficient time for that in the three weeks we have in September, I suggest we do it after the House comes back, which would allow us plenty of time before the year end.

Mr. Chairman: Your main concern is before we go. I agree with you.

Mr. Swart: My main concern is to be knowledgeable when we go.

Mr. Chairman: I do not think there is any point in calling a meeting for next Wednesday because there is not sufficient time to put this together.

Mr. Swart: Is this schedule possible? If we leave on August 7, that is a Thursday, would it be possible to have the briefing books in 10 days' time and, a couple of days before we leave, have a meeting with the chairman of the lottery corporation or some senior person there? That is the sequence I would like to see.

Mr. Chairman: In other words, have it closer to the time we leave.

Mr. Swart: Closer to the time we leave because I think if the House does adjourn at the end of next week, a lot of us we may be on holiday for a week or two.

Ms. E. J. Smith: The week of July 28 is the week they have asked that no committees sit because of the Commonwealth Parliamentary Association convention. We could have an informal session, since there is nothing else on. From my point of view, that makes it okay because that is not a conflict.

Mr. Swart: Could I suggest that what I am talking about is not the week of July 28 for our meeting. It is the following week I am talking about; either August 5 or August 6.

Ms. E. J. Smith: We will be on the road.

Mr. Swart: That has been changed. I am sorry. The leaving date has been changed to August 7.

Mr. Chairman: It is not likely that many committees sit on Mondays anyway, is it?

Mr. Swart: No.

Mr. Chairman: Is there any reason we could not sit on a Monday?

Mr. Swart: That is okay with me. When you are talking about Monday, you are talking about August 4?

Mr. Chairman: Yes.

Mr. Swart: That is the civic holiday.

Mr. Chairman: On Tuesday, August 5.

Mr. Swart: I can make it then.

Ms. E. J. Smith: What date is the civic holiday?

Mr. Chairman: Monday, August 4. We could meet on the Thursday or Friday before that. I do not care. I was thinking of the Monday. Monday is a day when not too many committees sit. There is also Friday. None sit on Friday.

Mr. Swart: I will not be able to make it on Thursday or Friday before that. Not that it is terribly important. Whatever is good for the majority, I am willing to accept that.

Mr. Chairman: Could we leave it that we will have a meeting as close as possible to our leaving date?

Mr. Swart: Right. I suspect some of us will be here two days before we leave to get our correspondence cleaned up and it might be handy to have a meeting at the same time.

Mr. Chairman: Having said that, how about Wednesday, August 6?

Mr. Swart: That is all right with me.

Mr. Chairman: I will be leaving from here to wherever we are going

anyway. Why do we not say Wednesday, August 6, for a briefing? Okay.

Mr. Swart: Will it be possible to get our briefing notes some time ahead of that? I do not want to put anybody to a lot of work but I would assume the Ontario Lottery Corp. will have annual reports and probably has some general outlines of the operation that we could brief ourselves on. If we could have that ahead of time, the sooner we get it the better.

Mr. Lane: It would help to know what the guidelines are.

Mr. Chairman: If there is a problem about meeting on August 6, Joan, if we had a committee room problem, we could meet in your caucus room or our caucus room.

Ms. E. J. Smith: Sure. I do not know why people cannot meet that week when there are not that many people going to the CPA meeting. I assume it is because a lot of staff are involved. Is that right?

Clerk of the Committee: Yes.

Ms. E. J. Smith: In any case, it is not the same week. We are talking about next week.

Mr. Chairman: The afternoon of Wednesday, August 6.

Mr. Swart: Can we put the time down as 2 p.m.?

Mr. Chairman: It is fine with me. How long is this going to take? I have to go to my riding in the evening.

Mr. Swart: It depends on how many questions we have. I would think a couple of hours perhaps.

Mr. Chairman: How does one o'clock sound?

Mr. Swart: It sounds okay with me. I will be here all day.

Mr. Lane: I leave Sudbury at noon, so I will be here at 2 p.m.

Mr. Chairman: You cannot make it by 1 o'clock.

Mr. Lane: No.

Mr. Swart: Let us leave it at 2 p.m.

Mr. Chairman: Leave it at 2 o'clock. You had better be here at two because I might not be. No, I will.

Mr. Lane: I will make it by two because my plane leaves Sudbury at noon.

Mr. Chairman: The sequence of events is we will have a briefing book within 10 days. We will meet on the afternoon of Wednesday, August 6, at 2 p.m., presumably with someone from the Ontario Lottery Corp., to be briefed. We leave on August 7, on a morning flight presumably, if we can get one.

When I get this back in its final form after we go before the Board of Internal Economy, I will contact everybody, rather than have another meeting just to confirm all the details.

Mr. Swart: I have one other question and some others may be interested also. Will it be possible--and will you know ahead of time, obviously--to pay the total cost for spouses to go along?

Mr. Chairman: I think that would be unusual, would it not? I have never seen that done before. To pay the total cost for spouses to go, I do not think it has ever been done, Mel, in my experience here. If spouses go, it is generally at the expense of the member.

Ms. E.-J.-Smith: I think that is what he meant.

Mr. Swart: That is what I meant; of course I did.

Clerk of the Committee: For purposes of convenience, it is not a problem for you to give your travel requirements if you are going to have your spouse attend. The committee staff can arrange to purchase all tickets in one block and then after we sort out the bills you can reimburse us.

Mr. Swart: I am sorry, I misinterpreted you at first too; I thought you meant it was unusual for spouses to go.

Mr. Chairman: Oh no. I thought you were talking about the Legislative Assembly paying for spouses.

Mr. Swart: No.

Mr. Chairman: We usually end up on the same course but we get confused a little along the way, do we not?

Mr. Lane: Apart from travel, it does not cost that much to take the spouse along because the increased costs of the hotel and so on are not that great.

Mr. Swart: I presume the staff needs advance notice to get tickets. Any idea what the deadline on that would be?

Clerk of the Committee: Mr. Arnott will circulate a piece of paper which will ask a certain number of questions, including whether you intend to have a spouse attend and any special requirements you have. In response to that, he will make the appropriate arrangements.

Mr. Chairman: Just one word to the wise, if you put me on a nonsmoking plane, I will not go. Got it?

Clerk of the Committee: Okay. No nonsmoking plane.

Mr. Swart: It looks as though you are going to be left here alone in a minute, Mr. Chairman.

Mr. Lane: Is that it, Mr. Chairman?

Mr. Chairman: Yes. The meeting is adjourned.

The committee adjourned at 4:48 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

ORGANIZATION

WEDNESDAY, SEPTEMBER 3, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Grande, T. (Oakwood NDP) for Mr. Hayes

Shymko, Y. R. (High Park-Swansea PC) for Mr. Rowe

Clerk: Arnott, D.

Clerk pro tem: Deller, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, September 3, 1986

The committee resumed at 2:24 p.m. in committee room 2.

ORGANIZATION
(continued)

Mr. Malcolmson: We have three agencies to cover this afternoon, so I will rumble along at a fairly rapid pace. I hope we can get through this before sunset.

I have just passed out a number of materials. This is information that just arrived from the Ontario Land Corp. You all received a copy of page 4 of my report with the letter to Mr. Arnott. You should tear that off and put it in place of the present page 4.

Mr. Chairman: Finances and budget?

Mr. Malcolmson: Yes, finances and budget. This is some revised information that we just received from the land corporation updating our figures.

Mr. Eichmanis: It is the second page of a letter to Doug Arnott, signed by Stanley G. Payne. Mr. Payne has put the revised figures in pencil or in pen at the side of the margins and elsewhere.

Mr. Malcolmson: I will go over those to clarify them at the proper time. The fundamental datum about the land corporation is that it is essentially in a wind-down mode. It is going out of business, its assets are being transferred to the Ministry of Government Services, and there will be a transfer of personnel from the Ministry of Housing to the Ministry of Government Services in that regard. This helps to make a very complicated story even more complicated as we try to go through the figures and get it sorted out.

The land corporation was established in 1974 to assist in the promotion of community and industrial development of land in Ontario. It is the corporate vehicle for the Ministry of Housing's real estate wing. It is responsible for planning, financing, developing, managing and marketing all provincially owned land. As I am sure you are all well aware, this includes land in Townsend, Seaton, Scarborough, Markham, Ottawa, Hamilton, London and so on.

The blue booklet I just passed out is an index of land inventory. Mr. Briggs, the assistant deputy minister of housing for the real estate wing, assured me in my interview with him that he will give us a full presentation of all the land holdings, an up-to-date account of what has been sold, what is still held and so on.

The mandate of the corporation is established in the Ontario Land Corporation Act; it is a corporation without share capital. The objects of the corporation are to assist in the promotion of community and industrial development of land in Ontario--

Mr. South: Excuse me; where are you reading this from?

Mr. Malcolmson: The research report.

Mr. Eichmanis: This is volume I, the third agency along, so it would be the third yellow sheet along, volume I.

Mr. Malcolmson: Exactly. The objects of the corporation are to assist in the promotion of community and industrial development of land in Ontario by the acquisition of land, development of land and the disposal of land to persons in the private and government sectors for residential, community, industrial, governmental and commercial uses; and without limiting the generality thereof in the carrying out of those objects, the corporation has the powers to, alone or in conjunction with any person or governmental authority, acquire, develop, redevelop and approve, alter, maintain, lease, license, sell and so on; exchange, mortgage, deal with as the corporation considers advisable, any land in Ontario or any interest therein, including all or any buildings or structures that are then or may thereafter be erected, altered, improved and so on.

It has the powers to lend and invest money on security of real estate, to sell, mortgage, or otherwise dispose of properties, subscribe for, purchase, invest in, sell, assign or otherwise deal in shares, stocks, bonds, debentures or other securities of any government or municipal corporation, or of any corporation whose objects include the buying and selling of land; and it has the power to do anything that, in the opinion of the board, can be done advantageously by the corporation in connection with or ancillary to the carrying out of the objects of the corporation.

The corporation is given additional powers to expropriate land, have assets transferred to it from the province or any board, commission, or agency, to use the services and facilities of any ministry, board, commission or agency. It is given general borrowing powers and can issue notes, bonds, debentures and other securities at rates of return determined by the corporation, subject to approval by the Lieutenant Governor in Council.

Certain powers provided in the Corporations Act are also possessed by the corporation. Provision also exists in the act for the corporation to repay advances made by the province, as well as the payment of notes, bonds and debentures or other securities that the corporation issued or that are delivered to the corporation. In addition, provisions exist for the payment in whole or in part of any loan or security, notes, bonds and debentures or any other liability or indebtedness of the corporation.

It may be said that these and other provisions of the act permit the corporation to deal with securities much like a similar corporation in the private sector.

14:30

The act also gives the Treasurer the authority, subject to approval by the Lieutenant Governor in Council, to make loans to the corporation and may acquire as evidence bonds, debentures, etc., of the corporation. The Lieutenant Governor in Council is authorized to raise funds for the corporation on terms or conditions agreed upon by the Treasurer and the corporation.

The corporation is also authorized to purchase or sell securities of the governments of Canada, Ontario or any other province, insurance companies, any chartered bank or any trust company.

As I mentioned at the start, that was the corporation's original mandate. It still stands in the legislation, but the corporation is essentially in a wind-down mode. It is selling its assets. The ones that are not sold will be transferred to the Ministry of Government Services. The brochure I just presented you with, the corporate plan for April 1986 to March 1991, is the first five-year plan of the corporation's wind-down. It lays out a comprehensive plan to ensure that the properties and mortgages are not sold off at fire sale rates, so that land values are not depressed in any particular area and so on.

In 1986, cabinet directed the corporation to cease all its activities by transferring at no cost its lands and other assets to the Ministry of Government Services or other ministries or agencies by March 31, 1987. The corporation's current mandate, as set out in the recent memorandum of understanding contained in this binder you have, is to accelerate the sale of its land assets to the private sector, transferring the remaining lands to other government ministries, and to sell its \$340-million first-mortgage portfolio within the next two years.

Two interministerial projects have been established to review government direction regarding the North Pickering land assembly and the Townsend project. In my interview with Mr. Riggs, he told me the reports of those interministerial projects have not yet been completed. He may have more information when he appears before the committee.

A new memorandum of agreement is now being drawn up to reflect the transfer of the corporation to the Ministry of Government Services.

The structure and organization of the Ontario Land Corp. is as follows: The corporation is completely funded from the consolidated revenue fund or out of moneys collected from the public by means of levies. Its administrative support services are currently being provided by the Ministry of Housing.

At the moment, the corporation has a six-member board of directors; it previously had a 12-member board. Six of the appointments are in limbo at the moment. The chairman receives a per diem of \$135, and members of the board receive \$100.

Mr. Riggs, the assistant deputy minister of housing for the real estate wing, is the vice-chairman of the Ontario Land Corp. That is established in the legislation. I hope all of you have replaced my old page 4 with the new page 4 that came from Mr. Payne.

I do not think I can truthfully say I completely fathomed the finances and budget sheets of the Ontario Land Corp. As of March 31, 1985, the land corporation managed 26,500 hectares of land required for land banking and development purposes as well as 23,200 mortgages and 5,900 land leases issued under various housing programs. The corporation's investment in land amounted to \$516,772,000. The corporation wrote down the value of its assets by \$266 million in 1985-86. This is part of the wind-down mode of the corporation. Its assets all had to be revalued at market value in order that they could begin to sell them.

Mr. D. W. Smith: As of March 1985, the corporation owed the Treasury \$872 million. Perhaps I am not seeing the right decimal spot here. Is that \$395 million noninterest?

Mr. Malcolmson: Yes.

Mr. D. W. Smith: How come you have more than what we owe altogether?

Mr. Malcolmson: The \$395 million?

Mr. D. W. Smith: Yes. It says the corporation owed the Treasury \$872 million and yet there is \$395 million in noninterest-bearing loans.

Mr. Malcolmson: I make a distinction there between interest-bearing and noninterest-bearing loans.

Mr. D. W. Smith: Do you mean the two of them should be added together?

Mr. Eichmanis: The \$395 million is--

Mr. Shymko: The rest are interest-bearing.

Mr. Malcolmson: There are sort of two halves to the assets of the corporation; the corporation has both land assets and mortgages. There are two halves to its debt; the corporation owes debt to both the Canada Mortgage and Housing Corp. and the Treasurer of Ontario. The debt to CMHC as of March 31, 1985, was \$102.7 million. The debt to the Treasurer of Ontario is \$872.3 million. Mr. Riggs, according to this sheet, informs us that the amount of \$468.4 million was forgiven by the Treasury this year. We do not have the final figures for March 1986 as to what is owed to the Treasury. That is a question we will want to raise with Mr. Riggs and Mr. Payne when they appear.

The total expenses for the agency in the past three years was as follows, and you can see the figures for yourselves. There should be a star beside the figure appearing under 1983-84, the figure of \$38 million. That is obviously quite out of line. This is at the bottom of page 4. The expenses are about \$12 million per year. There should be a star under the 1983-84 figures, because that includes transfer payment for the Ontario renter-buy program; that was a one-time program included in those figures.

There is a more detailed breakdown of these costs on page 5. I guess I do not need to recite these figures for you. Going beyond that breakdown, I have summarized what the Ontario Land Corp. has set out in its new corporate plan to give you an idea of how it is winding up its affairs.

The OLC recently designed a new corporate plan to reflect the directions received from the government of Ontario. By 1990-91, the corporation plans to have disposed of 27,500 acres of land representing 43 per cent of the total land area, and 90 per cent of the corporation's land assets are projected to be sold within the five-year period of this plan.

Mr. Shymko: My understanding from page 4 is that there were 26,500 hectares, and you are talking of disposing of 27,500 acres. As to hectares and acres, I do not have the figure.

Mr. D. W. Smith: It is two and a half times.

Mr. Shymko: Is it two and half times?

Mr. Poirier: It is 0.4041.

Mr. Shymko: I thought you would follow the same measurements as to hectares and acres. I am a nonfarmer.

Mr. Malcolmson: The sale of the land assets as projected in the five-year plan excludes the major land banks of South Cayuga and Nanticoke as well as North Pickering and Townsend, which are pending reviews, as I mentioned at the start.

14:40

The corporation plans to have reduced by 84 per cent to \$62 million the mortgage and lease portfolio owned by the Ontario Land Corp., concluded existing federal-provincial partnership agreements, retired completely the debentures payable to Canada Housing and Mortgage Corp. and reduced the Treasury debt by \$310 million or 96 per cent from the original balance as of April 1, 1986.

Mr. D. W. Smith: Does that mean you are going to take the \$310 million out the general revenues to pay it down over that period?

Mr. Malcolmson: My understanding is that the devaluation of the assets to market value has already taken place. Everything now will be paid back simply from the sale of those assets, both land and mortgages.

Then there is a list of the land assets remaining after the plan's five years. These assets will be disposed of in a further five-year plan.

Page 6 goes through the accountability and control mechanisms for the land corporation. The Ontario Land Corporation Act requires that the corporation deliver to the Minister of Housing an annual report. The corporation is also required to report to the minister on its affairs where the minister requires it.

Of course, you will understand that because the support services of the corporation are supplied by the ministry and the Assistant Deputy Minister of Housing for real estate is also the vice-chairman of the corporation, there is quite a close accountability mechanism to the ministry there.

The act also requires that the corporation be audited annually. The auditor or firm of auditors may be appointed by the corporation and shall be under the Provincial Auditor. The corporation is audited by both ministry auditors and the Provincial Auditor.

The corporation submits its annual estimates request to Management Board and the Legislature, and the corporation's funding is approved by Management Board and Treasury. In addition, the corporation's corporate plan is approved by the minister and submitted to the Management Board and Treasury for review.

The corporation is required to operate within the general framework of government policies. These policies are determined by the board of directors. Operational decisions are made by senior management and approval by the board is required.

There is probably a myriad of issues surrounding the land corporation. It has a long, chequered history. I take it that probably the biggest issue is whether the winding down of the land corporation is the best way to proceed. I do not know whether that is a question we can put to members at the land corporation. They simply do what they are directed to do.

Again, there is also the question of how did the assets come to be--how would you put it? How did they come to be such a fraction of their original

value? Was it bad investments or was it just the tenor of the times, that real estate sunk and the corporation suffered along with the general market?

Mr. Shymko: May I ask a question?

Mr. Malcolmson: Yes.

Mr. Shymko: I am still confused about lands. I have a number of acres of land, let us say, in my riding which are run by the Ontario Stock Yards Board. Is that land leased to the Ministry of Agriculture and Food or is it under this corporation?

Mr. Eichmanis: No. It is owned by the stockyards.

Mr. Shymko: Do they own it or do they lease it? It is provincial land.

Mr. Eichmanis: No. They own it.

Mr. Shymko: It is an agency of the government of Ontario.

Mr. Eichmanis: Are you talking about the land in the area of the stockyards?

Mr. Shymko: Yes, the stockyards land, which is provincial land.

Mr. Eichmanis: It is all owned by the stockyards.

Mr. Shymko: They would not be affected in any way if the stockyards were to be eliminated or removed? The province is not involved with the sale of market value and other things? What happens to that? They are up for review in 1991.

Mr. Eichmanis: The stockyards?

Mr. Shymko: Yes.

Mr. Eichmanis: My understanding when we reviewed it was that all the land on which the stockyards sit is owned by the stockyards. It is not owned directly by the province; it is owned by the stockyards themselves, the corporation, the Ontario Stock Yards Board.

Mr. Shymko: Has it bought that from the province?

Mr. Eichmanis: Again, it goes way back to the 1930s when the government expropriated the land, because it was originally a private setup, and created the corporation. The corporation, rather than the government, is the owner of the land.

Mr. Shymko: There are Ontario government corporations that still own land that are not affected at all by these changes here.

Mr. Eichmanis: Yes, that is right.

Mr. Shymko: In other words, the profits from the sale of that would go to the stock yards corporation in this case.

Mr. Eichmanis: If I am not mistaken, when we reviewed them they indicated they could sell the land on which they sit for something in the neighbourhood of \$10 million.

Mr. Shymko: At present market value.

Mr. Eichmanis: That was a couple of years ago, when we were reviewed them. At the time, they said it was something in the neighbourhood of \$10 million.

Mr. Shymko: Okay. There may be other corporations in the same situation as the stockyards that own provincial land.

Mr. McKessock: The Niagara Escarpment.

Mr. Shymko: The Niagara Escarpment would be under the escarpment commission and so on.

Mr. Malcolmson: The issue of the corporation's land holdings is also run together with the issue of the value of its mortgages. In Mr. Nixon's budget speech of 1985, he also pointed out that "a large number of the corporation's \$419-million portfolio of mortgage loans were made with terms and conditions not commonly prevailing in today's market." Again, this may be another issue that members of the committee may wish to discuss.

I have a list of 11 possible questions the committee may wish to use to start the discussion. Are there any further questions?

Mr. D. W. Smith: I have a further question about "mortgage loans...made with terms and conditions not commonly prevailing in today's market." When those terms and conditions were brought forward, were they normal mortgage conditions at the time they were made?

Mr. Malcolmson: I do not know. This is one of the things we will have to look into when we have the members of this commission before us. This was just an observation made by Mr. Nixon that seems to be in need of some scrutiny.

Mr. D. W. Smith: Okay.

Mr. Chairman: No further questions? On to the next one.

Mr. Malcolmson: Binder 2 is the Ontario Arts Council. If you will turn first to the researcher's report, I will go quickly through the mandate and possible organizational issues raised in reviewing this agency.

The arts council was established in 1963 to promote the study, enjoyment and production of works in the arts. The council is an independent agency of the Ministry of Citizenship and Culture and receives its funding from the province. The OAC is the Ontario government's principal granting body for arts support. It plays an advisory role in assisting the provincial government to administer complementary funding programs in the arts sector.

In addition to providing grants to theatre and dance groups, orchestras, art galleries and individual artists, to name just a few of the recipients, the council also promotes the development of local and regional arts resources and Franco-Ontarian arts.

The arts council is a schedule 3 operational agency. These are agencies that are totally funded out of the consolidated revenue fund, can demonstrate a need to operate outside the management practices and procedures established by Management Board of Cabinet and are able to provide their own administrative support services. The arts council supplies all its own administrative support services and requires its staff to possess specialized expertise not normally found in government. The OAC is funded out of the CRF.

14:50

Mr. Eichmanis: May I just point out, as you may be aware, agencies are put under four different schedules. As you go from 1 to 4, the arm's length becomes longer. Schedule 1 agencies are closest to the government, and those that are 3 and 4 are further away from the government.

For example, point 2 says "can demonstrate the need to work outside the management practices and procedures established by Management Board." That is the Manual of Administration and so on. You do not have to have public servants who are under the Public Service Act and so on. As you go down the list from 1 to 4, they become more at arm's length from government.

Mr. Malcolmson: The issue of the arm's-length relationship of the art's council to the government has been a hot one for some time. We can discuss that in a few minutes.

The mandate of the OAC is set out in the Arts Council Act. That is included in the binder following the research report. The act states that the objects and powers of the council are as follows: "It is the function of the council and it has power to promote the study and enjoyment of and production of works in the arts, and to such end may,

"(a) assist, co-operate with and enlist the aid of organizations whose objects are similar to the objects of the council."

This would be an organization like the Canada Council, which was sort of the original inspiration for the Ontario Arts Council.

"(b) provide through appropriate organizations or otherwise for grants, scholarships or loans to persons in Ontario for study or research in the arts in Ontario or elsewhere or to persons in other provinces or territories of Canada or any other countries for study or research in the arts in Ontario."

The emphasis should be "in Ontario."

"(c) make awards to persons in Ontario for outstanding accomplishments in the arts."

The structure and organization of the council is as follows: The Ontario Arts Council has two components. There is the actual council, which is the body appointed by the Lieutenant Governor in Council, the chairman, the vice-chairman, 10 other members and the staff of the council currently numbering 47, not 46 members. What happens is that we often refer to the arts council as both the staff and the actual council itself.

The council members, including the designated chairman/vice-chairman, are appointed by the Lieutenant Governor in Council for three-year terms. They are volunteers and receive money for expenses only. In its recent report, to raise one point at this juncture, the Macaulay commission recommended that the members of the arts council receive a per diem for their services.

The council meets quarterly to study applications and decide on the level of assistance granted to applicants. These meetings usually last three days. In addition, the council also meets in the late summer to discuss policy. This will be its annual organizational meeting. Seven of the 12 council members serve on the executive committee. This committee meets once a month to consider grant requests of a limited nature and to meet with groups and organizations to discuss their plans and problems.

The chief executive officer of the arts council is the executive director. He is appointed by and responsible to the council and directs its administration and operation. There are currently 23 professional staff and 24 support staff.

The staff is divided for operational purposes into 10 grant program offices, plus a communications department and an administrative staff. I list the 10 granting offices there: dance; film, photography and video; literature; music; theatre; visual arts; arts and education; community arts development; Franco-Ontarian and Ontour. Each of those offices has a granting officer in charge.

Mr. Shymko: May I just ask a question?

Mr. Malcolmson: Yes.

Mr. Shymko: In the listing you have here of Franco-Ontarian, community arts development, and so on, it says, "concerned primarily with the encouragement of indigenous arts resources." Does that refer to native art?

Mr. Malcolmson: Yes.

Mr. Shymko: In other words, the francophones and the natives qualify for support by the Ontario Arts Council, but no other minorities? Is that an exclusive type of definition? I thought the community arts development office would provide assistance to other minority groups as well as natives.

Mr. Malcolmson: This has come up as an issue with the arts council. The thinking there is that those groups are covered under either ministry programs or something like the multiculturalism advisory commission.

Mr. Shymko: In other words, all communities in Ontario are served except minorities that are non-native and nonfrancophone.

Mr. Malcolmson: I do not want to say definitely. I can inquire into that for you.

Mr. Shymko: Can you get that information? Another council is being reviewed to see the overlapping of this agency with the other one.

What relationship does an organization called the Ontario Folk Arts Multicultural Council have with the Ontario Arts Council? Is it funded by the arts council or is it independent? Is there any relationship between the two? Is the folk arts council a private organization or a public organization? What is the relationship between its operation and funding from the arts council?

Mr. Malcolmson: The arts council uses four different mechanisms for granting money. Applications from organizations are processed through the various grants offices that I just enumerated. These offices conduct their own

research study, consult with staff from the ministry and seek advice from independent experts. They hire outside paid consultants to go over the applications. Then they submit their report to the council with their recommendations. This advisory system accounts for roughly 72 per cent of all granting activity.

Grants to individual artists are awarded in two different ways. One is a recommendation system whereby third parties, book publishers, theatre companies, art galleries and so on are invited to recommend worthy artists with work in progress. This third-party recommender system accounts for about seven per cent of council granting.

The other method of awarding grants to individual artists is through an adjudication system, under which regular competitions are arranged to decide grants to composers, writers, craftspersons, visual artists and critics, filmmakers and creative artists in all disciplines who wish to engage in a classroom program in elementary or secondary schools.

The artists in each of these areas are invited to make written applications on council forms, to be submitted by set deadline dates, which are timed to council meetings, for grants up to specified amounts. Applications must be accompanied by samples of the artist's work. This is one of the ways the arts council monitors the effectiveness of its programs. Very often these applications will be from people who have already received moneys from the arts council. They have to submit their work in the next term, and the arts council can judge whether they are making progress and whether their work is worth continued funding.

Council staff assemble panels of paid independent adjudicators. These panels spend from one to five days examining all the applications and submitted sample work. On the basis of their expertise, they make recommendations, which are in turn studied and approved, occasionally amended, by the council and the grants awarded.

Competitions for screenwriters and visual art critics are held once each year; for film makers, photographers, video artists, visual artists and craftspersons twice a year; for choreographers four times a year; and for artists wishing to participate in the arts/education office's creative artists and schools program four times a year. In the case of the latter program, which is available only to creative artists and not to performing or interpretative artists, participatory funding by an interested school is a prerequisite.

15:00

Generally speaking, artists may apply in any competition but not more than once a year in any particular competition. The adjudication system is also employed to decide grants to periodicals. This method accounts for about 15 per cent of all council granting. In the annual report, which we have included in the binder, there is a long list of recipients of these grants. The list covers grants up to only a certain amount; a much longer list is available from the Ontario Arts Council, if we wish it.

The fourth grant determination system is by formula or regulation. In formula programs, eligible applicants must meet certain set requirements of the program to receive a grant of a certain amount, which is determined by a preset formula. This method of determining grants accounts for about six per cent of them.

The council also engages in activities other than granting money to arts organizations and artists. When I interviewed the director of the OAC, he wanted to stress this very much. They do a lot of work in going out and consulting with theatre groups that are having a tough go of it and helping them restructure their organizations. Perhaps they have problems with their advertising, perhaps they are putting on plays that are unmarketable or that sort of thing.

The council's on-tour office helps to maintain contacts between touring artists and sponsoring organizations. Council offices are engaged in an ongoing consultation with offices in other cities, provinces, service organizations representing the arts and arts organizations. In addition, the OAC administers a number of private trust funds. These are outlined at the back of the annual report.

Mr. Chairman: You mentioned that the council helps a group of artists that is putting on a play that is unmarketable.

Mr. Malcolmson: That is just an example. For example, there could be a theatre company in Toronto that is having a tough time of it. The arts council does consulting work whereby it would go to the theatre company and try to figure out what the problems are and advise them so they can straighten things out.

Mr. Chairman: By changing their play?

Mr. Malcolmson: They might do that. They might say, "Maybe you should think about having a wider variety of plays." I do not think they would interfere directly by saying, "We do not think you should show this sort of thing."

Mr. Chairman: I was wondering whether we are funding mediocrity. Is that we are doing?

Mr. Malcolmson: It is always an issue that is raised with government funding of the arts.

Mr. Shymko: Are you referring to the play that was sponsored by the Ontario Arts Council a few years ago where the actor urinated on the stage?

Mr. Chairman: I do not remember that one. I do not go to pornographic theatre. You obviously do.

Mr. Shymko: I am referring to a scandal that was covered by the media a few years ago where the Ontario Arts Council funded a play that apparently had created a negative reaction on the part of the public but that was artistic by the definition of the--

Mr. Chairman: By the definition of the artists who produced it.

Mr. Shymko: --artists who fund it and who establish the criteria.

Mr. Chairman: That is generally what I asked. Is this council put together to fund mediocrity or bad stuff because the artists themselves think it is good?

Mr. McKessock: Just to get people's attention.

Mr. Chairman: That is what is bothering me about it.

Mrs. Marland: I would like to see the complete list. You said the funding in the list in the annual report is only up to a certain amount and there is a more comprehensive list available. I would like to see the complete list, especially if the amounts are larger than the amounts in this list.

Mr. Malcolmson: The amounts are smaller than \$1,000.

Mrs. Marland: You said this list was up to a certain amount. It is the other way around.

Mr. Malcolmson: I am sorry. I must have misspoke myself.

Mrs. Marland: Some of these are \$400 or \$500; some of these in here are less than \$1,000.

Mr. Malcolmson: My understanding from talking to the director of administration was that the complete list would be of people who received very small sums of money.

Mrs. Marland: Less than \$525, for example? This list goes down to \$490. If the list is less than amount, then I do not want to see it. I thought the inference was that the complete list included grants of more than this amount.

Mr. Malcolmson: No. They try to put major contributions in the annual report.

Mrs. Marland: Thank you.

Mr. Malcolmson: As I stated before, the arts council is funded completely by the Ontario government. So there is no confusion over these trust funds, the arts council simply administers those; it does not receive money from the trust funds. That is explained in the back of the annual report.

In the year ended March 31, 1986, the council received a general grant of roughly \$25 million, of which \$22.1 million was spent on grants and programs. The following figures outline the operating expenses for the agency for the past three years.

Turning to page 6, the process for determining the level of subsidy provided by the government is set out in the council's memorandum of understanding, which is also included in the binder.

In determining the level of subsidy, it is understood that the Ministry of Citizenship and Culture is the only source of the Ontario Arts Council's operating funds, provided annually and based on submission of a detailed operating budget request by the Ontario Arts Council.

In determining the level of funding each year, the minister shall consider factors such as resources available to the ministry; ministry policies and priorities; council's general objectives, operations and achievements throughout Ontario; and proposed council expenditures.

The OAC's formal request to the ministry for its next year's appropriation is submitted annually in September. This follows the fifth annual meeting that I talked about; it takes place every August, which I think

is when they finalize this request. This request follows the standard format for all MCC cultural agencies.

The memorandum of understanding states that the council shall submit the following to the minister: audited financial statements and comparative figures for two fiscal years; annual operating budgets; a description of council programs; a description of council staff resources; annual objectives and results; and appropriate evaluation reports.

The accountability and control mechanisms, which are probably the most difficult issues in dealing with something like the arts council, are as follows. The council is required by the act to file with the minister an annual report. The act also requires that the accounts and financial transactions of the council be audited annually by the Provincial Auditor. In addition, the OAC is represented as part of the estimates debate of the Ministry of Citizenship and Culture.

The OAC has not been subject to sunset review. The memorandum of understanding also requires the council to submit information regarding its operations to the ministry upon request. The chairman and vice-chairman of the arts council are in frequent contact with the minister and his staff. OAC senior staff participate in the periodic cultural agencies liaison meeting. The guidelines for these meetings are set down in the memorandum of understanding, which is included in the binder.

When you look at an agency such as the arts council, there are two issues that stand out. It was established as the principal granting agency of the government. It allows the government to maintain an arm's-length relationship with those receiving government money. In recent years the government has made direct grants to major arts organizations. This raises the question, what exactly is the role of the Ontario Arts Council with regard to the major organizations? I think they are often called the Big Six in Ontario. It is a big problem for the arts council, as they told me. If the major arts organizations can go directly to the government and ask for funds, it both lowers the profile of the OAC and wreaks havoc with its budget.

15:10

Mr. Grande: Causes havoc with whose budget?

Mr. Malcolmson: The OAC's. They will have allocated a certain amount of money and then they find out that extra moneys have been allocated. Perhaps they would have reorganized things had they known that.

Mrs. Marland: What is the process that enables that to happen? Is there any limit to the outside funding for specific groups? When I say "outside," I mean outside the OAC budget. How does a group outside the OAC budget go directly to the government? Are there examples?

Mr. Malcolmson: For example, the Stratford Shakespearean Festival or the Toronto Symphony Orchestra could appeal directly to the Minister of Citizenship and Culture (Ms. Munro), and it would be within her power to grant the money directly.

Mrs. Marland: But have they done it, or do they refer them back to the OAC?

Mr. Grande: It happens every year.

Mrs. Marland: Pardon?

Mr. Grande: Places such as the Stratford festival, the Shaw Festival and two or three others deal directly with the government in terms of their budgets and the allocation of funds.

Mrs. Marland: If they do, how does it impact the OAC's budget if they are away from OAC eligibility?

Mr. Malcolmson: They are not away from OAC eligibility. They would still be a part of the OAC's budget. The OAC would have \$26 million to divide. It would make its decisions on the basis of having this amount of money and how it would rank the various candidates, large organizations. The way it was explained to me, were it to know in advance that the TSO was to get \$3 million extra, for example--and we are speaking hypothetically--it might allocate less money in its own budget. I think the main point is that it undercuts the role of the OAC as the principal granting agency of the government.

Mrs. Marland: Sure. But it was not laid down that agencies were to apply ~~solely through~~ OAC, obviously.

Mr. Malcolmson: I do not think there is any law prohibiting them from ~~circumventing the~~ OAC.

Mrs. Marland: Then neither was it specific that when a group decided to apply outside the OAC process it would be ineligible to apply also to OAC.

Mr. Malcolmson: That is correct.

Mrs. Marland: That should be cleared up. In Mississauga we have an arts council that dispenses a city budget for visual and performing arts. There is no way those groups can come directly to the city council; they have to go to the arts council. That is the only way they get municipal government funding. I would think the provincial government funding should be handled in the same way. It would be impossible for the OAC to deal with a budget. The Ontario taxpayers could end up giving grants both ways to a particular group, from the description you have just given. It will be interesting to pursue that with them.

Mr. Eichmanis: A small caveat on this, of course, is that is not within the OAC's jurisdiction. The question of whether these larger groups will go to the ministry directly is a policy decision on part of the ministry. The agency itself has no control over it.

Mrs. Marland: But this committee may decide to be very specific about how taxpayers' money is dispensed for the purposes of funding the arts in the province in order to retain equity for all the arts groups, performing and and visual.

Mr. Shymko: I have another question. It may be related to your questioning, Margaret. The Ontario Film Development Corp., for example--my figure may not be close; I think \$6 million or something is budgeted for the corporation--overlaps to some degree with the Ontario Arts Council film, photography and video film grants. For example, they say the mandate in that area is "to encourage the development of talented film makers through assistance with the production costs of their films." That repeats, almost word for word, the mandate of the Ontario Film Development Corp. You see an overlapping of the same delivery of service, the same mandate and the same goals, which to some degree would threaten the Ontario Arts Council.

My understanding of your concern is that the Ontario Arts Council, which has normally had a pre-existing delivery to assist film makers, should have received the \$6 million instead of a corporation which in the past, in terms of a budget, always had in the vicinity of \$400,000 to \$500,000 maximum and then--smack--this year, it gets \$6 million. You have TVOntario upset because the funds have to be reshuffled from the Ontario Arts Council, TVOntario, Wintario or somewhere.

Mrs. Marland: That is a good point.

Mr. Eichmanis: I can check on this but it seems to me, as they indicate here, that the film and photography are really nonprofit. My understanding was that the Ontario Film Development Corp. dealt with commercial organizations or commercial film makers. These would be nonprofit types. I may be wrong--

Mr. Shymko: I would like to know whether you are correct in assuming that.

Mr. Eichmanis: I do not know, but I can check on that.

Mr. Shymko: It would be worth while checking whether there is that criteria of profit and nonprofit.

Mrs. Marland: Further to that, Mr. Leluk and I were very upset last year when we discovered through discussion with Mr. Pitman--and maybe, John, on this subject, you might like to get some information ahead of time because we were jointly upset--that the Ontario Arts Council was funding film makers without knowing ahead of time what the subject of the film material was to be.

In one particular case--although Mr. Pitman thought it was a great idea and had no concern with it--through pursuing our questions, we found that a film had been made that was a proponent of abortion. That was using taxpayers' money to make a film that was a proponent of something that was literally against the law. Regardless of individual opinion on the matter, it was against a federal statute.

Mr. Leluk: The film was The Struggle for Choice, which led to a further question from myself on whether--we were told it was a reputable film maker--this was the criterion for application for funding. I asked whether they would question it if somebody came in and asked for a grant of \$150,000 to make a pornographic film. He said no, they are not acting as a censor board.

That leads me to some concern about the manner in which public tax moneys are being handled and that we have a council which would not question the content of the film where moneys are being provided for its making.

Mrs. Marland: Nick, his other comment was, "Just as we do not ask the authors what they are going to write about when we decide to fund them."

Mr. Shymko: If I may comment on this, I am just here substituting for someone, but I think the arm's-length relationship between cultural agencies and government is fundamental to a democratic system of government where politicians do not dictate culture.

We surely would not want our society to be one characterized by funds and moneys where those who provide that money dictate culture. It is one of the fundamental principles of a democracy that you do not have government and

politics censoring and dictating what an artist should paint and what a writer should write. It is a very delicate area.

Mrs. Marland: I agree. Except that we do not want to fund something that is against a federal statute.

Mr. Grande: Let me agree with the critic of the Progressive Conservative Party about the arm's-length relationship.

Mr. Leluk: Hear, hear.

Mr. Chairman: You have to re-examine your position there.

Mr. Grande: We had this debate when the Ontario Arts Council was before the committee. I really felt aghast at the suggestion that the arts should be controlled by politicians.

Mrs. Marland: That is not what we are saying.

15:20

Mr. Eichmanis: May I just say something about this?

Mr. Malcolmson: I read through the debate that took place in that committee meeting, and Robert Sirman, the director of finance and operations of the arts council, explained about that. This will be an important thing that we will want to discuss in terms of the technical problem of trying to deal with the arms-length relationship, about how exactly does the arts council decide in advance who should receive money.

As he explained it: "We do not have a copy of the film. Somebody does not come in and sell us a film or a book or something like that. There will be an outline or a proposal, which is adjudicated by artists or experts in that field. We cannot say ahead of time what is going to appear."

So that is kind of a technical problem with what you are saying, I think.

Mrs. Marland: Oh, yes, but if they have an outline, they obviously have a subject matter. If it is a pro-abortion--

Mr. Malcolmson: If it was a documentary, I do not know. I think his point was, how would you tell in advance if there was going to be a bias in a documentary?

Mrs. Marland: Then they have to have a more detailed outline, I suggest. I think if the taxpayers knew that they funded a film, the subject of which was against the law--

Mr. Leluk: Or against community standards. We might have a pornographic film that some great artist made, some film maker who wants to make himself a buck, but it does not agree with community standards. I mean we are using public funds. My question was, what are the criteria? There has got to be a story line. There has to be some type of indication from the person who is applying for the grant as to the contents of the film.

Do you mean to tell me that based on that they cannot decide this might or might not meet community standards? I understand what Tony Grande is saying, but on the other hand, we are dealing with public moneys here.

Mr. McKessock: If you are applying for an OAC loan, such as we were just talking about, you sure have to tell them what your business is and how it is going to be run.

Mr. Shymko: Forty per cent is written off, anyway.

Mr. Chairman: Let us maintain some sort of order.

Mr. Grande: Let me ask a question that was asked earlier by Margaret and follow that up. When these three or four big agencies went directly to the ministry for funding, as opposed to going through the Ontario Arts Council, was there any way we could have found out the policy direction that the government had made and why, what was the reasoning for supporting or providing funds directly to these agencies? Can we find that out?

Mr. Malcolmson: In terms of examining the agency, I think probably all we can do is ask them how they are affected when this happens. Putting the question the way you put it, I think it would have to be asked of the government or the ministry.

Mr. Grande: I understand, but at a certain point. The Ontario Arts Council was started in 1963. Could it be that these agencies were in existence prior to the Ontario Arts Council and there was that relationship between those agencies and government, so that continued? I do not know, but it seems a legitimate question to me to say, "If we fund the arts through the Ontario Arts Council and through the arms-length relationship that exists, why are these excluded or why are these done in a direct way?" If there is any way of exploring that, to come to grips with it, I would appreciate it.

Mr. Eichmanis: We could inquire about that if you like.

Mrs. Marland: We do need that because I am going to pursue it.

Mr. Malcolmson: The second issue for discussion is the one we just assessed.

The third issue involves the newspaper article that I just distributed to the members of the committee, which takes us to our fifth and final government agency. This involves concerns expressed by the arts council over the upcoming amendments to the Ontario Lottery Corporation Act. The members may be interested in following this up in covering both the arts council and the lottery corporation. The gist of it is that the amendment to the lottery corporation act will take off the proviso directing the profits from the sale of lottery tickets to specific things. The arts council chairman, Mr. Pitman, has expressed concern that this means it will not get the money it ought to get.

Mr. McKessock: The way it is now, certain lotteries go for certain things. Is that right? How many lotteries do we have in Ontario?

Mr. Malcolmson: Six.

Mr. McKessock: Six? Each one is designed so that its funds to go to a certain area at the present time. Is that right?

Mr. Malcolmson: They are broken down into halves. Three of them go to one thing and three of them go to another. I will get into that in just a minute.

I also provide a list of 12 possible questions. Do the members of the committee wish to ask any further questions at this point?

Mrs. Marland: At the next meeting, I would just like to find the answers to the important ones we have already raised.

Mr. Malcolmson: This brings us to our fifth and final government agency, the Ontario Lottery Corp.

Mr. Leluk: Just before we get into that, I know we usually lag about a year behind with annual reports. Is there any way we can get information for 1985-86 regarding the funding of the various projects such as we have here, whether it be films or whatever?

Mr. Malcolmson: I will certainly inquire about that.

Mr. Leluk: I would have thought we would have had a report by now. We are eight months into 1986.

Mr. McKessock: Why are you interested in last year's--

Mr. Leluk: I just have an interest.

Mr. Chairman: Okay. On to the Ontario Lottery Corp.

Mr. Malcolmson: The motive for the creation of the lottery corporation was to generate revenue for the Ontario government by tapping the discretionary income of consumers. Ontario entered the field in 1975 primarily because of the fact that all sorts of other lotteries were already operating. The general thinking here was that if other people were going to make money off Ontarians on lotteries, then Ontario might as well sell lotteries to make the money itself and keep the money in the province.

Mrs. Marland: Instead of going to Ireland.

Mr. Eichmanis: Exactly. One of the motives was to prevent the fleeing of money offshore.

Mr. Malcolmson: The corporation was established in 1975 to develop, undertake, organize, conduct and manage lottery schemes on behalf of the government of Ontario and in conjunction with the governments of Canada and of other Canadian provinces. Since then, the government of Canada has got out of the lottery business completely.

The corporation is a schedule 2 Ontario government agency. These agencies are established to carry out an aspect of public policy that has a commercial orientation. They are completely funded from the revenue generated by their own programs. Thus, the lottery corporation receives no government money and receives no government services. It manages its own administrative support staff and appoints staff under the authority of its own act.

The objects of the corporation, as stated in the act, are three. (1) It is to develop, undertake, organize and so on lottery schemes in Ontario; (2) it is authorized by the Lieutenant Governor in Council to enter into agreements to develop, undertake, organize and manage lottery schemes on behalf of or in conjunction with the government of Canada or the governments of one or more provinces; and (3) to do such other things as the Lieutenant Governor in Council may require.

The OLC is structured as a business organization. Profits are derived solely from the sale of lottery tickets. All of those profits are turned over every year to the government, to the consolidated revenue fund.

15:30

The corporation's board of directors has nine members. It is appointed by the Lieutenant Governor in Council. The board meets 12 times a year. Its members are paid the per diems of \$125 a day for chairman, \$120 for vice-chairman and \$105 for director. It employs 238 people in five divisions. Each of these divisions is managed by a vice-president. The operations division is responsible for the actual operations of lottery draws and the awarding of prizes. The computer services division deals with the day-to-day functioning of all the on-line games. I take it everyone here is familiar with the different computer games that the Ontario Lottery Corp. runs.

Mrs. Marland: You have to be really sharp.

Mr. McKessock: Have you a list of those six? Is that what you are talking about?

Mr. Malcolmson: Yes.

Mr. McKessock: Where are they? Are they in here?

Mr. Malcolmson: We will get to those in a minute.

Mr. McKessock: Here they come.

Mr. Malcolmson: The marketing division monitors existing games and designs new ones. They have just designed another new one that I think came out this week. The sales and distribution division ensures that adequate supplies of lottery tickets are available throughout the province. There is the corporate communications division.

Currently, the corporation operates six lottery games. There is Wintario, Lottario and Instant. These are all games of the Ontario Lottery Corp. The other three, the Provincial, Super Loto and Lotto 6/49 are all games of the Interprovincial Lottery Corp. The way this works is the Interprovincial Lottery Corp. simply administers those games. The tickets are sold and the profits are gained by the different provincial lottery corporations in every province. What happens is that the Interprovincial Lottery Corp. has its own lotteries but they are marketed by the OLC.

Mr. McKessock: Are you saying the last three are shared by all the provinces in Canada?

Mr. Malcolmson: Yes.

Mr. McKessock: They are run by the Ontario Lottery Corp.

Mr. Malcolmson: In Ontario.

Mr. McKessock: In Ontario, for our share of it.

Mr. Malcolmson: Yes. All the provinces together run the Interprovincial Lottery Corp.

Mr. South: What is the advantage of that? Why would Ontario want to be in that? Why would any province? Does Ontario get all the money that is brought in by the latter three that are sold in Ontario?

Mr. Malcolmson: I think it is simply an arrangement for selling these tickets across the country.

Mr. South: Why? If I was in Manitoba, I would buy a ticket in Manitoba. Would that money not go to Manitoba? If I am in Ontario, I buy a ticket here and it goes to Ontario. I do not understand.

Mr. Malcolmson: My understanding is that these games are popular. Some of them derive from the original lottery games that were run by the government of Canada.

Mr. South: Is it one grand prize amount for all of Canada?

Mr. Malcolmson: Yes.

Mrs. Marland: Are not the other provinces' lottery corporations just legalizing the sale of Ontario tickets in those provinces? Is that not what it is? Of course, we would not be asking these questions if we had been allowed to go and investigate the other provincial corporations at first hand. We were not permitted to go and this committee is operating at a tremendous disadvantage. We are having to do everything from within the walls of Queen's Park.

Mr. Eichmanis: To clarify the point, the revenues that the lotteries get are proportional to the amount of money that is received from each province, but the prizes are for the whole of Canada. In other words, somebody in Manitoba can win the prize for Lotto 6/49, but the amount of money that the government of Manitoba gets is proportional to the amount of money Manitoba put in.

Mr. McKessock: You can buy a Lotto 6/49 ticket anywhere in Canada, but you can buy a Wintario ticket only in Ontario.

Mr. Malcolmson: That is correct.

Mrs. Marland: If you buy it in Manitoba--

Mr. Eichmanis: You are still eligible for the same prize as the people in Ontario. It is the same prize whether you are in Manitoba or Ontario.

Mrs. Marland: It says the tickets are sold to the various regional lottery corporations and they keep all the profits generated by the sales.

Mr. Eichmanis: Yes, but that is not the prize.

Mrs. Marland: No.

Mr. McKessock: They would have a better input into the prize if they sold more tickets, would they not?

Mr. D. W. Smith: Newfoundland could sell 100,000 tickets and still get the \$1-million prize.

Mr. Eichmanis: That is right, whereas with a \$14-million prize they only get the revenue that is proportional to that province.

Mr. D. W. Smith: Perhaps Newfoundland does not sell 10,000.

Mr. Grande: Does that make more sense, Larry?

Mr. South: Yes. It is starting to a little.

Mr. Malcolmson: On top of page 3, there is an explanation. The Interprovincial Lottery Corp. operates lottery games on behalf of the following regional marketing organizations, and there you have all the different regional organizations across the country. Its tickets are sold to the various regional lottery corporations, and those corporations, like the Ontario Lottery Corp., keep all the profits generated by the sale of those tickets. The Interprovincial Lottery Corp. does not make any money and its money is not distributed to any government. All it does is print tickets and administer prizes. The revenues from all those tickets go to the various provincial organizations, depending upon how many tickets they sell.

Mr. Chairman Where is the net? We are talking about the net after prizes?

Mr. Malcolmson: Yes.

Mr. South: Where is the headquarters?

Mr. Malcolmson: The headquarters of the ILC?

Mr. South: Yes.

Mr. Malcolmson: Here in Toronto.

Mr. Malcolmson: The Ontario Lottery Corp. distributes products via a province-wide network of 47 distributors. These distributors are independent business operators and are required to meet the corporation's business and financial standards. Those are set out in the regulations, which are in the binder. The corporation monitors its distributors and, in the event of unsatisfactory performance, may terminate the distribution agreement with that distributor.

The distributors are essentially wholesalers who distribute the OLC's tickets to a network of 14,000 independent retailers. These retailers include barber shops, gas stations, convenience stores. About 3,500 of them are now equipped with on-line terminals necessary for selling Lottario and Lotto 6/49 tickets. You can well imagine that one of the fastest growing departments of the Ontario Lottery Corp. is its computer division. They need a herd of these people to go out and service these machines and keep the central computer running and all of that.

Mr. D. W. Smith: Were the numbers of retailers regulated before?

Mr. Malcolmson: Were they regulated?

Mr. D. W. Smith: Was there a maximum number who could have these terminals?

Mr. Malcolmson: That is simply a marketing decision that is made upon judging demand.

Mr. South: Does a seller not have to accumulate a certain volume of sales in the other things before he can get into one of these terminal arrangements?

Mr. Malcolmson: I imagine that is the case. There is also a training program that has to be taken by the distributor or the retailer at that point to learn how to operate this machine.

Mr. Eichmanis: If I remember correctly from the time when the previous committee reviewed the Ontario Lottery Corp., the number of distributorships has remained the same at 47. That has stayed constant.

Mr. D. W. Smith: Has the number of retailers gone up drastically or just a bit?

Mr. Eichmanis: I cannot tell you offhand, but certainly it should be asked.

Mr. Malcolmson: To turn to the finances and budget, the corporation is a financially self-supporting agency that covers its operating and administrative expenditures from proceeds arising from the sale of tickets. Sales from lottery tickets in the year ending March 1986 totalled \$1 billion. In 1985-86, the corporation achieved a net profit of \$317 million. From its establishment in 1975 to the end of March 1986, the corporation has produced a total net profit of \$1.64 billion.

Mr. Eichmanis: That is the money that goes to the consolidated revenue fund.

Mr. McKessock: Is that a change?

Mr. Eichmanis: No. That money has always gone to the consolidated revenue fund, minus administrative expenses.

Mr. McKessock: But it was targeted for a certain--

15:40

Mr. Eichmanis: Once it goes to the consolidated revenue fund, a number of orders in council were issued which designated certain moneys to go to certain programs or certain ministries.

Mr. McKessock: If \$317 million was the profit on \$1 billion, it does not seem like a lot when you think that all they do is sell tickets.

Mr. Malcolmson: The prizes take the rest.

Mr. McKessock: Oh, the prizes; right. That is the big one.

Interjection.

Mr. McKessock: Yes. You have to make the prizes big.

Mr. Grande: There are 14,000 independent retailers and 3,500 computers. That takes a certain part of the dollar for maintenance.

Mr. McKessock: How much of that \$1 billion in sales is prize money?

Mr. Malcolmson: There is a figure in the next sentence: \$511.9 million in prizes and \$75.4 million in commissions.

Mr. South: Where is that?

Mr. Malcolmson: In the line following.

Mr. Leluk: Page 3 in the first paragraph.

Mr. McKessock: Actually, then, there is only about \$200 million in expenses.

Mr. Shymko: There is \$82 million in operating costs. Who gets these commissions? What are these commissions?

Mr. Malcolmson: These commissions would go to the distributor-wholesalers and the retailers.

Mr. Shymko: It is a sort of legal kickback; right?

Mr. Malcolmson: Yes. That is their fee for selling the tickets and providing that service.

Mr. D. W. Smith: You do not have to go to Las Vegas now; you can do it here in Ontario.

Mr. Shymko: That is right; become a commissioner.

Mr. Leluk: The question was raised before about capping the prize moneys with respect to, say, 6/49. We have had prizes as high as \$14 million, some at \$10.2 million and others up in that range. The question has been raised of possibly capping this at about \$5 million and therefore having more money to share among more participants and winners. Has that ever been--

Mr. Eichmanis: When we reviewed them last time, I heard something of the psychology of how the lottery corporation works. They will probably argue--this is not my interpretation; it is theirs--that because the amounts go up so high, vast interest is generated and more tickets are sold; therefore, that is enough reason for them not to cap it. Again, that is my interpretation of what they said to us last time around.

Mr. Leluk: I guess it is human nature to go for the big one.

Interjections.

Mr. McKessock: There is a certain timely injection of advertising if it goes up to \$9 million or \$10 million now.

Mr. Eichmanis: When I did research last time around on the lottery corporation, an article was published by someone at McMaster who looked at the whole psychology and economics of lotteries. He looked at both the United States and Canada. His general conclusion was that consumer interest was a real problem for them, and to maintain that consumer interest, there was a need for all lottery corporations to come out continually with new lotteries.

You can ask them. Where they sense that one particular lottery or game is losing interest and the revenues from it are going down, they then have to revise it, add a wrinkle to it or create a new lottery to create the consumer interest, because people will generally tend to get bored with something after a while. People are used to it; it does not provide the excitement any more. They have to devise some new variation on a theme to create that consumer interest. This may be one of the explanations why there are as many lotteries as there are.

Mr. Grande: The only problem is that they continually add them instead of adding and subtracting.

Mr. D. W. Smith: Is the 6/49 the most successful lottery?

Mr. Eichmanis: It has the biggest prize money. I do not know what the actual breakdown of moneys is.

Mr. Shymko: Do you have a breakdown on the six corporations in terms of profits anywhere?

Mr. Eichmanis: You can get those.

Mr. D. W. Smith: I have talked to people in stores who have a terminal, and they say that with the people going through the store, the sales just go up once they miss one prize, if they do not win at one draw.

Mr. Eichmanis: If you turn to the annual report, which is appended to the material you have, on page 22 there is a statement of net profits. It indicates the net profits for Wintario, Lottario, Instant, Provincial, Super Loto and Lotto 6/49. Lotto 6/49 is the highest in net profit with \$98 million. The second one after that is Lottario.

Mr. Shymko: There seems to be a decline in Wintario from \$40 million to \$28 million. Is that a reflected decline from the previous year of 1983 as well?

Mr. Eichmanis: We do not have those figures.

Mr. Shymko: Are there any reasons why Wintario is declining?

Mr. Eichmanis: It could simply be that in the past few years, Lotto 6/49 has generated enormous interest because of the huge prizes. People may have found that game far more interesting and exciting to play, and as a result, there has been a dropoff in the other games.

Mr. McKessock: Is the \$25 million to the federal government a contractual arrangement with the three national lotteries?

Mr. Malcolmson: My understanding is that those are agreements that were drawn up when the federal government got out of the lottery business.

Mr. McKessock: Each year they have to give so much to the federal government?

Mr. Malcolmson: Yes.

Mr. Eichmanis: In effect, they are saying, "We will stay out of the lottery business, but in return for doing that, you have to give us something."

Mr. Grande: If you remember, the federal government got into it to support amateur sports, and to get out of it, the money for amateur sports still has to go from the federal government, and the lottery provides it.

Mr. Malcolmson: If you turn to page 4, I have noted the relevant part of the existing Ontario Lottery Corporation Act which sets out the direction of the funds. As the act now stands, section 9 reads:

"The net profits of the corporation after provision for prizes and the payment of expenses of operations should be paid into the consolidated revenue fund...to be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor."

Bill 38, which is now before the House, would amend this by striking out that last section.

Another bill before the House, Bill 115, would prohibit the sale of lottery tickets that come from other lottery corporations in Ontario and prohibit the pirating of Ontario lottery tickets outside the province. Actually, I think the latter is the prime area.

Mr. Grande: I cannot hear you from that side.

Mr. Malcolmson: Probably everyone is aware that there has been a big problem with people buying Ontario Lottery Corp. tickets and selling them in Europe, the United States and so on.

The profits generated by the Wintario, Lottario and Instant games are currently dedicated to physical fitness, sports, cultural and recreational activities. These funds are distributed through the ministries of Tourism and Recreation and Citizenship and Culture.

The profits generated by the Provincial, Super Loto and Lotto 6/49 are dedicated to health and environmentally related health research and hospital capital projects. This dedication has also been changed. Order in council OC 1447/86 removed the specific dedication of these moneys.

In addition to the above methods of distributing lottery profits, the Trillium Foundation receives an annual share of lottery moneys. There is no tie between the Trillium Foundation and the lottery corporation, but I wanted to point out in my research report, in terms of the distribution of moneys, that the Trillium Foundation does get these moneys and that is its sole source of revenue.

Mr. Swart: To elaborate on that, do they get the money directly from the Ontario Lottery Corp., or does it all go into the general revenue and then the government at its discretion transfers it out to them?

Mr. Malcolmson: The latter is my understanding.

15:50

Mr. Grande: Can you please explain that latter part, order in council OC 1447/86? You say, "These funds are distributed through the ministries of Health, Labour, Environment and the Attorney General." Do we know any criteria for these ministries as to how these funds are distributed

once they go to the ministries, or is this at the discretion of the ministry, the minister or what?

Mr. Malcolmson: I understand it is at the discretion of the minister. There is a copy of this order in council following the legislation.

Interjection.

Mr. Malcolmson: It follows Bill 115.

Mr. Grande: What was that?

Mr. Eichmanis: I am sorry. The order in council follows regulation 719 in my book, but it may be slightly different in each book.

Mr. Malcolmson: I see. I think the way it was divided was simply that the Ontario Lottery Corp. moneys were dedicated under the legislation. That took care of the sale of its own tickets. The Interprovincial Lottery Corp. tickets, the Provincial, Super Loto and Lotto 6/49, were dedicated under the order in council. There has been a change in both of them to remove the specific dedications.

Mr. Grande: In other words, a possible scenario is that the government may not get the one that is in legislation but in effect has changed that which is in regulations or by order in council.

Mr. Malcolmson: It has changed the dedication on three of them by order in council.

Mr. Grande: Yes, but the first three have to be done by legislation.

Mr. Malcolmson: That is my understanding.

Accountability and control: The lottery corporation is a schedule 2 agency that operates at arm's length from the government. It is required under the act to make an annual report to the minister. The corporation's memorandum of understanding with the minister requires the chairman and president to meet with the minister at least quarterly to discuss the affairs of the corporation. The corporation is required to submit for the approval of the minister the establishment of new games and revisions to existing games, proposals for joint lottery schemes with any other parties or any changes in policy that significantly affect the operations of the corporation.

Advertising contracts are co-ordinated through the Advertising Review Board. The lottery commitment control committee, consisting of staff representatives from the ministries of Tourism and Recreation, Citizenship and Culture, Treasury and Economics and the Management Board secretariat, receives actual and forecast revenue figures to assist in determining grant commitment levels.

I think this answers, or at least partially answers, Mr. Grande's question about how these moneys are allotted.

The corporation is reviewed on an ongoing basis by the Provincial Auditor, external private auditors and internal audit services. Internal audit reports are reviewed regularly by the audit subcommittee of the board.

In accordance with section 11 of the Ontario Lottery Corporation Act, the accounts and financial transactions of the corporations are audited annually by the Provincial Auditor. The auditor's findings, as well as the audited financial statements, are submitted to the minister and the corporation.

Under section 25-7 of the Manual of Administration, all operational agencies established after March 12, 1980, are subject to sunset review. This does not apply to the Ontario Lottery Corp.

Under "Issues for discussion:" The lottery corporation is not responsible for the government's policies regarding lotteries, but the corporation's marketing strategies have been an issue in the past.

The problem basically is this. The corporation is set up to run as a money-making venture, with an arm's-length relationship to the government. It pursues its marketing strategies in such a way as to best make money for the corporation. Of course, this raises the question of whether the government--because it is a government agency--approves of the corporation's marketing strategies. Again that is a problem of the arm's-length relationship. This came up in the previous review of this agency, and I have quoted the relevant sections in that report.

"The committee in reviewing the lottery corporation was struck by the fact that the corporation in pursuing its goal of maximizing revenues may have gone beyond the initial purpose of the corporation, which was to provide an Ontario alternative to foreign and other Canadian lotteries. The latter, it was feared, would draw money away from Ontario for the benefit of other jurisdictions. A lottery game in Ontario, it was believed, would end that drain. In a sense the Ontario Lottery Corp. had a defensive purpose. The committee has the strong impression that the defensive posture has been exchanged for an offensive one. In pursuing its aggressive marketing strategy, the corporation naturally places emphasis on advertising the entertainment value of its games in order to make the participation by consumers as pleasurable as possible. The committee is of the opinion that this type of aggressive marketing may instil socially detrimental values in the lottery corporation's players. The committee frankly wonders whether the corporation is not subtly promoting the gambling ethic and raises the question of whether government should be participants to such promotion."

The marketing strategies of the corporation continue to emphasize the entertainment value of its games. Naturally, one issue to raise with the lottery corporation is how their strategies in the intervening years, since the previous committee's report, have reflected the committee's recommendations. In addition, the corporation has commenced operating two additional lottery games since 1980.

The handout that just came out with the headline "Now it's Sweeps," comes from an article written this past Sunday about a new lottery game that has just come on the market, and it is described in this press clipping.

Mr. Shynko: Do we have a copy?

Mr. Malcolmson: Yes.

Mr. Shynko: Could I ask a question?

Mr. Malcolmson: Yes.

Mr. Shymko: Has there ever been any serious research on the whole aspect of the offensive in terms of a different definition of offensive, the whole gambling aspect and its impact on individuals as you would study the problem of alcoholism and so on?

Mr. Eichmanis: I think there have been some articles in the United States, which we could provide you.

Mr. Shymko: I think it would be worth while, since you are touching on this as an issue for the committee to raise or to look at, to have some serious studies or at least something that would back up any concerns in this area, just as Mr. Leluk and Mrs. Marland had concerns about the moral aspects of certain arm's-length agencies and their cultural activities that may be offensive.

Mrs. Marland: Oh, no. That is not a correct statement.

Interjection.

Mr. Shymko: I thought I had touched a double standard here.

Mrs. Marland: That is not a correct statement--

Mr. South: Where is all that money going? Back to page 3--

Interjections.

Mr. South: Yes.

Mr. Chairman: They are working on overtime now, folks. Now you come alive with all these questions. It is great.

Interjections.

Mr. South: On page 3, it shows they have a net profit of \$1.6 billion, which means they grossed something like \$5 billion. Yes, something like \$5 billion. We put out \$500 million in profits or in prizes.

Mr. Malcolmson: That is an accumulated figure from 1975, the \$1.64 billion.

Mr. South: In the same period they have paid out \$500 million in profits. They generated \$5 billion.

Mr. Swart: That is in a year.

Mr. South: The \$500 million in profits is for the year.

Mr. Swart: Yes.

Mr. South: I see.

16:00

Mr. Swart: Mr. Chairman, I want to pursue a little further, if I may, any studies that have been done about the gambling ethic. I think there

have been a number of studies done. I had a student researcher for a period of time who prepared a rather extensive report for me on gambling in general, and he quoted many studies. Many of them may have been done on aspects of gambling apart from lotteries. I think it is important, and if some can be obtained, I think we should have them.

Mr. Malcolmson: I would point out that the Ontario Lottery Corp. touches on these issues in the annual report. It touches on this issue, and it touches on the issue of the income brackets of people who buy lottery tickets. The assertion of the Ontario Lottery Corp. in the annual report is that there is a fairly wide distribution across all income categories of people buying lottery tickets. There is a concern about whether lotteries do not amount to some sort of regressive taxation whereby basically working-class or poorer people buy lottery tickets and fund projects that go to upper-middle-class people.

Mr. South: We could have a means test before you could buy a lottery ticket.

Mr. Shymko: Is it fair to assume that the more lottery games you have, the greater the participation in the purchasing and the greater the profits to whomever runs it?

Mr. Malcolmson: The logic would seem to dictate that would be the case.

Mr. Shymko: I imagine the facts prove that. In following that logic, the government would tend to expand the number of games, following a trend. You need more money; therefore, you have more games. Is this what the committee would suggest the agency do?

Mr. Malcolmson: This is the problem with the arm's-length relationship: the corporation will pursue whatever strategies it can to make money.

Mr. Shymko: We originally started with one lottery game. Is it the corporation that devised all the others, or was it on a directive from the government or at least on the initiative or with the co-operation of the government? Could not the government step in and say, "Six games; that is it for the next 20 years"?

Mr. Malcolmson: The corporation devises the games and has its own marketing strategy, as I understand it, but it has to have everything approved by the government.

Mr. Shymko: So the government gives the final okay?

Mr. Chairman: Cabinet approves it.

Mr. Shymko: So cabinet can stop it too?

Mr. Chairman: Yes.

I have one more questioner, John Lane. I point that we are now past our normal quitting time, John. I hope you will take that into consideration.

Mr. Lane: I realize it is double pay after four o'clock.

There is a negative side for the smaller communities. It would not affect cities such as Toronto, but there is a negative side to the lack of terminals in the smaller towns across northern and eastern Ontario. As was said a while ago, the terminals are allocated on the basis of the volume of sales. What really happens in places such as my riding is that the larger town has a larger volume of sales, so it gets the terminal. A smaller town has two or three retail outlets. As soon as there is a big stake about to be won, everybody rushes to the larger town to play the game. While they are there, they purchase groceries, booze and so on, and the poor little town back home that does not have the terminal suffers. It amounts to a fair-sized handicap in the smaller towns in northern Ontario.

Mr. D. W. Smith: I concur with what John says, and it does not have to be northern Ontario.

Mr. McKessock: The first day the Ontario Lottery Corp. comes in is September 16, the opening day of the ploughing match. Are we going to sit that day?

Mr. Chairman: Oh, dear. I cannot think of any, but there must be some members of your caucus who are not farmers. Could they not substitute somebody?

Mr. McKessock: I thought maybe you all wanted to go and participate in the ploughing.

Mr. Poirier: Mr. Chairman, did you say we were also going to sit on September 11 and 12?

Mr. Chairman: September 11 and 12, Thursday and Friday; right.

Mr. Poirier: Are they not having a caucus in the New Democratic Party?

Mr. Chairman: They are having it Monday, Tuesday and Wednesday; we sit on Thursday and Friday. That is next week.

If there is no other business before the committee, we will now adjourn.

The committee adjourned at 4:06 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES
AGENCY REVIEW: THE DEVELOPMENT CORPORATIONS
THURSDAY, SEPTEMBER 4, 1986
Morning Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

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Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitution:

Grande, T. (Oakwood NDP) for Mr. Hayes

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Development Corporations:

MacKinnon, D., Executive Director and Chief Executive Officer

Mitchell, J. M., Director, Loan Applications Branch, Ontario

Development Corporation

Goodyear, D., Information Officer, Finance and Administration
Branch

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, September 4, 1986

The committee met at 10:11 a.m. in room 230.

AGENCY REVIEW:
THE DEVELOPMENT CORPORATIONS

Mr. Chairman: I would like to welcome from the development corporations, David MacKinnon, executive director and chief executive officer; and from the Ontario Development Corp., John Mitchell, director, loan applications branch. Gentlemen, welcome. I thank you for coming. I apologize for our being a little bit late, but I think we will get through it.

As I understand it, with the committee's agreement, you have a presentation you wish to make. Will you mind if we interrupt for questions as we go?

Mr. MacKinnon: Not at all; we would welcome them. I propose to run through the presentation but answer any question at any time. I think that is better.

Mr. Chairman: Fine. Go ahead.

Mr. MacKinnon: Thank you very much for inviting us to come today. For the past several years, and particularly the past several months, there have been major developments under way in the development corporations. Our preparation for this meeting offered us a chance to pull all the threads together. We have found it useful to do that and have high hopes for this discussion.

I thought I would run through a presentation describing our organization, our current business, the kinds of problems and issues connected with what we now do and then move a bit into the future and talk in some detail about the new programs we are implementing and the new ideas we have in relation to how the corporations should be managed for the next couple of years. Basically, we are implementing major policy changes in about 10 areas of the corporations' operations. After we run through our current business, I will describe the changes in some detail with the help of my colleague.

First, to help members with the presentation, the following are the specific subjects we will discuss. I will run through the organization structure, what we have been and what we have done historically, the nature of our current responsibilities and the new directions we have from the government. Then I will look at some of the underlying reasons for the changes in policy and the new programs we have been asked to make. Finally, I will look at our new initiatives in some specific detail.

Mr. Chairman: Excuse me, Mr. MacKinnon. We are having trouble picking up your voice for Hansard. Would you mind if we hook you up with a microphone?

Mr. MacKinnon: Not at all. How is that, Mr. Chairman? Is that better?

Mr. Chairman: We will have a permanent record of what you say, so be careful of what you say.

Mr. MacKinnon: In terms of the accountability of the corporations, the three development corporations, the Northern Ontario Development Corp., the Eastern Ontario Development Corp. and the ODC, share a common chief executive officer, who has a dual reporting relationship to the three boards of directors and to the deputy minister. The boards in turn report directly to the minister on occasion as required.

Each corporation has its own board. The boards are chosen from the area in which the corporation operates, except there are interlocking memberships to ensure a consistency of policy and operations in areas where that is required. As noted, there are also regional offices throughout the province. They are particularly pronounced and play a particularly important role in northern and eastern Ontario.

In terms of the full detail of our organization structure--I am a little short of space here, but I will start on the left side--we have the new Innovation Ontario Corp., which makes equity investments to small businesses at the very early stage of their development. We have loan applications branches for northern and eastern Ontario. Our loan applications branches for both regions are run out of Sudbury, and of course there are regional offices throughout the north and the east. The same applies in the rest of the province; that is, we have regional offices, although they are not quite as prevalent.

Our lending process--and this is an issue I will come back to later--is divided. Once a loan is made and the cash has been disbursed, the loan is handed over to the loan administration branch, where the loan is administered and provisions adjusted or changed as required. Quite often, given the kind of loans we make, the adjustments and changes to a loan once it is made are almost as important as the actual fact of making a loan in the first place.

Through our loan administration branch, we also run two quite large industrial parks: Huron Industrial Park, near Exeter, and Northham Industrial Park, near Cobourg. I will come back to them later in some detail to talk about their operations.

Our finance and administration branch handles the management information systems and a wide variety of administrative matters connected with our operations. I regret that our director of finance and administration, Rajula Atherton, is ill and unable to appear today, but she and her colleague Mr. Copfer, who is with us here today, are vitally important backups to the whole lending process.

Finally, we have a legal services branch, which is shared with the Ministry of Industry, Trade and Technology, and a special financial services branch, which is quite a small operation; it provides an advisory service to the Ministry of Industry, Trade and Technology on the financial aspects of any major industrial development project or deal. At the moment, that branch also is responsible for the management of the Innovation Development for Employment Advancement Corp. investment portfolio, which was absorbed into the development corporations at the end of June. That is roughly how we are structured.

In terms of the historic overview of our activities, the corporations were started back in the mid-1960s in response to a major gap in the lending system at that time. Most banks did not make term loans, and it was apparent that was a major gap. I think that was the impetus for the original start of the development corporations.

Since then the corporations have been very active. More than 6,000 businesses have been borrowers, and over time the mandate of the corporations has changed from strictly filling the one gap in the financial system to becoming a broader organization aimed at assisting substantially in the development and diversification of industry throughout Ontario.

Over the past five years, our investment lending has been a key part in the creation of more than 70,000 jobs. I say it has been a key part rather than a cause, because clearly there are other major investors and lenders involved.

In the past few months we have made two changes of particular significance. We have started the new Innovation Ontario program announced in the budget, and the new ventures program is at a late stage of development.

As I mentioned, some of the major changes that have been made in recent months flow from two documents, the speech from the throne and the budget.

It is probably hardly necessary for this audience, but I will review the specific aspects of the speech from the throne that seemed most relevant to us. These were the needs to foster entrepreneurship, to promote service sector growth, to expand opportunities for small business, to increase trade opportunities and to promote the development of tourism.

The budget itself was more specific. It indicated the government's intention to reorganize the development corporations to improve the delivery of service and tighten up internal administration, to do more to lever private sector financing of small business through a new loan guarantee program, to provide pre-venture capital to small businesses in technology-intensive sectors or industry and generally to broaden government support to some service industries.

Those few paragraphs in the Ontario budget in many ways constitute the basic working agenda for the corporations for the next year or so.

To give you an idea of the financial dimensions of our activities, they are as follows: Our direct term and incentive lending, which I understand is the amount the Legislature votes each year, comes to \$36.5 million in actual loans and \$13.5 million in guarantees in 1985-86. Our export support lending, which is financed from a revolving fund, totals \$38.4 million in the same year. Our agency lending to other ministries--that is, areas where we administer a program but the funds are budgeted by another ministry--total \$15.7 million in loans and \$28.1 million in guarantees for 1985-86.

Mr. McKessock: Would you give us an example of that from another ministry?

Mr. MacKinnon: Mr. Mitchell, will you describe one of the agency programs?

Mr. Mitchell: We do a book publishing program for the Ministry of Citizenship and Culture, and previously we did the tourism redevelopment

incentive program, which is a guaranteed program for tourism, for the Ministry of Tourism and Recreation. Increasingly, we are being called on to act in an agency capacity for other ministries.

We are currently working with the Ministry of Energy on a couple of programs. We have historically worked as an agent for the Ministry of Agriculture and Food, and we are again taking a look at a program. The Ontario Film Development Corp. has approached us. We have had a lot of activity in the agency capacity in previous years, and it seems to be increasing.

Mr. MacKinnon: With respect to dollar volumes, in helping the ministry analyse and deal with major industrial projects, in the past year we have worked on 85 projects with provincial funding of \$112 million associated with them. The gross revenue from our two major industrial parks plus other real estate assets is \$4.2 million. I am pleased to report that both operations are profitable and have been for many years.

As one of our newer commitments, on June 30 we assumed responsibility for the IDEA Corp. investment portfolio, which became a major project. Its book value totals \$45.9 million in investments.

Finally, we provide a variety of services, mainly as we conduct the other aspects of our business of informal advisory and consulting services, particularly advisory services to small businesses and financial and advisory assistance to tourist operators.

I have some problems with the way in which information about the corporations is usually presented, but roughly, if you add up all the business of all kinds with which we are involved, we are talking about a volume of business of something in the order of \$150 million to \$200 million all told, divided into three categories.

My major job is lending, but I am also involved in managing investments or advising on investments and managing industrial parks. At the moment, we are a fairly diversified corporation with a substantial volume of business in all three major areas.

Perhaps I should stop here, in case there are any questions, before I describe our lending operations in detail.

Mr. Chairman: Are there any questions from the committee?

Mr. D. W. Smith: You mentioned that \$45 million was book value. When you do audits now, have those values gone down? Is your investment as secure as it was?

Mr. MacKinnon: It is very hard at this stage of the game to exactly determine the value of the venture capital portfolio. All these companies are at a very early stage in their development. Typically, in a venture capital portfolio of this type, what you would hope for would be that out of 10 companies, you would hit big with one or two and pass on two or three. You would probably lose on half of them, but you would make enough in the big successes to cover your losses.

At this point, it is too early in the game to decide exactly what the portfolio is worth in market value. However, our normal expectation of a venture capital portfolio at this stage of its development is that it will be worth less than book value, but I do not know by how much less and with what degree of precision one can estimate that.

Mr. D. W. Smith: But because of the way it was set up and what it was intended to do, you are not worried greatly about a big loss?

Mr. MacKinnon: We are concerned with the fortunes of each business. That is the way we look at it now. We have assigned internal staff members to the management of the businesses. Playing a major role as an investor in the successful management of the businesses, I think we will see some successes and some failures. We will always be concerned with the failures, but we will be a lot less concerned if there are a few successes to cover them.

Mr. Poirier: I presume you have a record of everybody you have helped throughout your 20 years, broken down into the different geographical areas of Ontario, that would be readily available.

Mr. MacKinnon: I will run through some of that now. If there are any areas that are deficient in terms of your needs, you can let me know and we will assemble more numbers. As part of the presentation, the research office was good enough to give us a sense that your interest lay in those directions, so I have some of that. I will run through it, and I hope it will help deal with questions.

First, in talking about the three corporations aggregated, this is where we have been for the past five years. You can see that our lending volumes, particularly since 1983, have been rising quite rapidly, basically in manufacturing, although there has been some growth in tourism. Again, this is an aggregate of the three corporations. This is where we have been for the past five years. You can see that our lending volumes, particularly since 1983, have been rising quite rapidly, basically in manufacturing, although there has been some growth in tourism. Again, this is an aggregate of the three corporations. I think it is important to look at the specifics of each to get a sense of what those trends mean.

10:30

Here is the Ontario Development Corp. itself. You can see we had a problem period, I guess, as did every financial institution in the aftermath and early recovery of the recession of 1981-82; but as the economy recovered, our lending started to grow quite rapidly.

Mr. Leluk: May I ask a question?

Mr. MacKinnon: Yes, sir.

Mr. Leluk: I see tourism has fallen off in 1986. Is that because you have fewer people applying for support? What is the reason for that? Between 1985 and 1986, you have quite a substantial dropoff in tourism.

Mr. MacKinnon: This is in southern Ontario. Our lending in tourism in the south is a very much smaller proportion of the total than it is in the other two areas. I am not sure what the answer would be.

Mr. Leluk: This is just southern Ontario?

Mr. MacKinnon: Yes. This is just southern Ontario.

Mr. Mitchell: I think part of the reason is that a lot of our activity in the tourism program has been in the Niagara Falls area. There is

only so much money you can throw into facilities in Niagara Falls. We had fairly heavy activity in 1984-85, and it has eased off a bit. There are major construction projects under way. That explains in part the dropoff in 1986.

Mr. McKessock: Are you saying the Niagara Falls area has the most applications? Are there not applications coming from other areas in southern Ontario?

Mr. Mitchell: Southwestern and central Ontario are not fine tourism areas. It is safe to say the Niagara region is probably the most active in tourism. Although we do have activity in the Muskoka area and Simcoe county, there is not as much in southwestern Ontario.

Mr. MacKinnon: The figures look different too in the other regions of the province. Here is the Northern Ontario Development Corp. Our lending patterns generally have been rising, with a very substantial growth in tourism. This pattern of tourism lending in the north shows every sign of being quite a strong pattern for the next year or two.

You will notice the weakness in export trade and export financing in northern Ontario. That is something we would like to deal with in some way during the next year or two. Of course, we have to get good applications and good applicants making good proposals, but certainly in terms of the growth in manufacturing and tourism in the north, we are reasonably happy with the way the pattern is developing.

I do not want to get out of order here; if I do, I am lost for ever. The figures for eastern Ontario are these. You can see a somewhat stronger trade basis to our lending. It is not as strong as we want. There is slower growth in tourism but very considerable growth in manufacturing.

I have been with the corporation for only six months, but I have been quite impressed with some of the proposals that have been coming to us in terms of new manufacturing enterprises in eastern Ontario. We have some of our problems there, but overall we have seen some strong companies in recent months. That pattern is not a bad one.

We have a variety of calculations by which we look at how much money we lever, the theory being that if the development corporations make a loan in areas, other investors and other lenders, who would not otherwise do so, will come in. In the left-hand column we have our approved expenditures. In the right-hand column we have the total investments associated with the projects to which we have lent. This leverage question is an issue that we pay very careful attention to. You can see in the bar graph here that the extent to which we have levered additional investment exceeds the extent to which our lending has grown. We watch that number fairly regularly and hope we can try to keep that trend up. Obviously, there are limits to how far it can go up.

In terms of the total loans and guarantees approved as a percentage of the total, the Northern Ontario Development Corp. made 21 per cent of our total loans; the Eastern Ontario Development Corp., 18 per cent; and the Ontario Development Corp., 60 per cent. The regional impact of our operations, though, is understated by those numbers.

Here is our investment per capita and by industry in the various regions of the province. In manufacturing and other areas, our lending in the north is on a per capita basis very large, relative to what it is in southern and

eastern Ontario. You can also see some of the patterns that showed up in the other charts. In some areas of the province, we are relatively weaker in export support lending and relatively stronger in tourism. The total of all three kinds of lendings, though, indicates that per capita we do twice as much in northern Ontario as we do in either of the other two regions of the province.

I will come back to this because there are some issues connected with our northern Ontario lending I would like to explore with you. I think it is fair to say that we have become a very major commercial lender in the north. Were it not for the commercial lending represented by this bar chart, some major northern communities would not have readily available sources of commercial credit on any scale.

Mr. McKessock: Do you mind backing up to the one you had prior to this?

Mr. MacKinnon: Sure.

Mr. McKessock: Is that saying that 40 per cent of the loans were turned down?

Mr. MacKinnon: No. I am sorry. What this says is that of the total volume of loans we make, 60 per cent are made by ODC--the number of loans as opposed to dollars--21 per cent by NODC and 18 per cent by EODC.

Mr. McKessock: Oh, okay.

Mr. MacKinnon: That is really the mirror image of this, but this is talking about dollars.

Mrs. Marland: Have you got that in dollars as well? That is the percentage of numbers of loans, you said.

Mr. MacKinnon: We would have that in dollars, represented in the previous--we can get the actual numbers, but the half dozen bar graphs I just showed carry those numbers expressed in dollars.

Mrs. Marland: I am talking about the pie charts. The pie chart is only numbers of loans, not dollars loaned?

Mr. MacKinnon: That is right.

Mr. Mitchell: I have that in dollar value since inception, not for the past five years. If that would be valuable, it is 56.1 per cent, ODC; 18.8 per cent, NODC; and 25.1 per cent, EODC.

Mr. Chairman: Can you speak into the mike? We are not picking you up.

Mr. Mitchell: Sorry. This is all corporations since inception in dollar terms relative to our authorized loan. ODC has accounted for 56.1 per cent; NODC, 18.8 per cent; and EODC, 25.1 per cent.

Mr. D. W. Smith: Going back to what someone said, there is not as much tourism in southwestern Ontario. It may be a question of whether people do not want to stop in southwestern Ontario or whether we have not made places to visit available. It is something like whether the chicken or the egg came

first, I guess. Do you say that if we made more dollars available for tourism in southwestern Ontario, it might help the industry down there?

Mr. MacKinnon: Perhaps I can make a brief comment on that and then Mr. Mitchell can. It partly depends on how we operate. We are trying to make development loans--in other words, loans that would not otherwise be made--to create jobs that would not otherwise be created. In areas where there appears to be an ample supply of readily available commercial credit under conditions that can support viable enterprises, we do not push as hard as we do in the northern and eastern parts of the province. I think that is one part of the answer. John, do you have any comment on that issue?

10:40

Mr. Mitchell: I would not suggest for a minute that we avoid deals in southwestern Ontario, but the pockets are along Lake Huron or the Bruce Peninsula where we have had activity over the years. In recent times we have not had the applications. For any of our tourism applications, of course, we must have the support of the Ministry of Tourism and Recreation. We have not had the volume coming in from southwestern Ontario.

I do not know whether it is because of Americans staying in Detroit and travelling right through to Toronto or what the reason is. Certainly, Niagara Falls has a world profile and Port Elgin, for example, does not, which explains certain of the activity there. We are entertaining applications from southwestern Ontario, but not in the volume we experienced of late on the Niagara Peninsula.

Mr. D. W. Smith: I asked this question primarily because I had some people come to me who said they thought they had a loan guarantee in place down on the St. Clair River. Maybe you remember it. I think the name was Pappajohn, and Haight and Wilson is one company name. They are trying to build a development down there. They were not really asking for the dollars; they were asking for guarantees, although I realize that can lead to dollars. I wondered who might have turn their project down. Maybe I should not ask you at this type of meeting. I can talk to you later about it.

Mr. Mitchell: I would be glad to track that down for you.

Mr. D. W. Smith: They were trying to open up a village down there that might compete with something like Frankenmuth, Michigan.

Mr. Mitchell: Yes, I am aware of the one.

Mr. D. W. Smith: Maybe I should chat with you afterwards. It may be too specific to be good to this committee meeting.

Mr. Mitchell: Okay.

Mr. McKessock: Have you any idea how many projects in southwestern Ontario that have made application to you have been turned down by the Ministry of Tourism and Recreation?

Mr. Mitchell: I do not have at hand that level of statistic. Often the applicants approach the tourism people, sometimes in concert with ODC, but often prior to approaching ODC. I suspect that is not a major factor as far as them turning it down is concerned. We look to tourism to determine, first of

all, if there is additional need in the marketplace. I know one in southwestern Ontario that they did decline because they felt it was a major facility that would impact on local motel operators directly. It was a case of robbing Peter to pay Paul.

We look to tourism for that type of input and for what that ministry considers the expertise of management to be relative to the hospitality industry. We must have their support on each and every application. Our responsibility is to reinforce what tourism has supplied us, as well as paying particular attention to the financial condition of the operations, not only historically but also in the future.

Mr. McKessock: I guess a lot of it, like anything else, depends on the individual who is making those assessments. I have found in our area of Grey county, which has been designated a four seasons recreational area, that sometimes they have been discouraged by Industry, Trade and Technology because the project is not in the centre of the tourist area or for some reason or other.

Some of these decisions as to viability should be left up to the entrepreneur who has already sometimes established himself and is a good business person. In my opinion, his judgement should be equally as knowledgeable, or maybe more so. He will be investing his dollars besides the government's. If he wants to enlarge or whatever, he should be given the opportunity to do so and not be discouraged. He should be encouraged.

Mr. Mitchell: First, in the tourism sphere, there are a lot of people who get into tourism operations without any prior experience.

Mr. McKessock: I am talking about having experience.

Mr. Mitchell: If it is a viable operation, if we have good management in place and there is an opportunity for an expanded market, there is no reason that we or the Ministry of Tourism and Recreation should turn it down. It just does not make sense. That is not our mandate. It is to encourage development of tourism in these areas.

Mr. MacKinnon: Perhaps I can make a comment that might be helpful. The basic lending decisions of more than \$100,000 are made by our boards with advice from the staff. The boards make the lending decisions. Quite often, they disregard staff advice. These boards are composed mostly of small businessmen from all corners of the province. If they reject a project for managerial or financial reasons, you have usually had a rejection from informed business people, many of them active in related areas of business. That is a very important strength that the corporations have, if I can put it that way. All our major lending decisions are not made entirely by civil servants such as ourselves. You have a bunch of active, aggressive small businessmen making them.

Mr. McKessock: On the board?

Mr. MacKinnon: On the board.

Mr. McKessock: What percentage of these applications never get to the board? How many are turned down before they reach the board?

Mr. MacKinnon: Very few. First, loans for less than \$100,000 are made by staff at the moment. That is because the board could not cope with the volume to do business properly, although the board does take a look at those staff-granted loans from time to time. A list of the loans the staff has made is presented at each meeting--perhaps not at each meeting, but regularly--so the board can judge whether they have been sensible.

Generally, if a proposal comes in and it is to go to the board, our job is to assemble the information to allow the board to make an intelligent decision, to make sure due diligence has been shown and that all the legal and accounting inquiries and so forth are made. With very few exceptions, it then goes to the board, even in cases where the staff members are uncertain about it. In that case, we give a clear sense of what our judgement would be--for example, that this is very high risk or very low risk--and then the board decides.

Mr. McKessock: I expect there are as many small ones for less than \$100,000, as there are for more than that. I am equally as concerned about the one as the other.

Mr. MacKinnon: In that case, the review the board makes is after the fact, but it does look at the cases the staff members have decided upon. If there is a decision that appears to the board to be erroneous, it will look at it.

Alternatively, we recognize that when one deals with the volumes we deal with, one has to be open to any suggestion from MPPs or others to look at a project again. My sense would be that if you had a project in your constituency that you felt should have gone forward and we rejected it, if you called John or me, as many MPPs do, saying, "You should have another look at this one for the following reasons," we would do that.

In fact, I did that within the past month or so. A senior MPP phoned me and said: "You refused this loan. I think you were wrong. Here is why you were wrong. Will you look at it again?" John and I did, and we concluded that we probably were not wrong but in the shading of judgement, our judgement had been too clinical, too negative and expressed a little too early. We reconsidered the loan, talked to our board, the board reconsidered it and the loan was made.

10:50

Mr. McKessock: Time will tell.

Mr. MacKinnon: Time will tell. Of course, we have an internal betting game on this one, but so far it looks good.

Mr. Grande: Who is the senior MPP? Is it chronological or what?

Mr. MacKinnon: Perhaps I should amend that to "a well-known MPP."

Mrs. Marland: It has taken me only a year to find out what seniority is all about.

Mr. McKessock: A senior is 65 and over.

Mrs. Marland: I have a number of questions, but I am quite happy to wait till the end of the presentation if that would be a better format.

Mr. Chairman: All right.

Interjection: Is that years of service, Bob?

Mrs. Marland: Do you want the questions as we go along or at the end of the presentation?

Mr. Chairman: Normally we ask questions as we go along, but if you have a series of them, perhaps it would be better to wait till the end.

Mr. MacKinnon: This is a good break. What I am going to do next is to shift over from the present and the past to the future.

Mr. Chairman: We will shift you over to Mrs. Marland then.

Mrs. Marland: Who at the staff level approves the loans up to \$100,000?

Mr. MacKinnon: Mr. Mitchell, maybe you can explain the system.

Mr. Mitchell: Up to \$50,000, it is the manager of the respective loan applications branch. To \$100,000, it is the chief executive officer or myself.

Mrs. Marland: At either of those levels, is it joint or singular?

Mr. Mitchell: It is joint in all cases. It is joint in that it is recommended. There is only one approval authority, but there are several recommendation authorities. For example, in a loan exceeding \$50,000, the manager recommends it, I recommend it and the CEO approves it, or in his absence I have the authority to approve it. If it is authority up to \$50,000, it is recommended by the consultant and approved by the manager.

To carry on, and you may be interested in this, from \$100,000 to the \$250,000 level, it goes to the board. If the board approves it, that is the ultimate approval. Exceeding \$250,000, it goes to order in council. The board recommends it for order-in-council approval.

Mrs. Marland: It is by order in council for those in excess of \$250,000 then.

Mr. Mitchell: Yes, and that is an aggregate. For example, you may have a borrower who has a \$100,000 loan who wants an additional \$200,000. That \$200,000 must go order in council, because the total outstanding loans are \$300,000 in that instance.

Mrs. Marland: If I come to you for \$50,000, is there an appeal process if the manager level rejects that application?

Mr. Mitchell: Yes. I think Mr. MacKinnon alluded to that. It is not uncommon. If they feel they did not get a fair hearing, they can appeal either to their MPP, to me directly or to Mr. MacKinnon. We would review the situation.

Mrs. Marland: I have a lot of difficulty with the appeal to MPPs, because I think it is totally wrong for MPPs to have influence on the granting of these loans. I think that would be a very serious thing. The reason we have a corporation and a board ultimately is to deal with it at arm's length from the political influence.

Mr. MacKinnon: If I can respond to that briefly, I think we draw a distinction there. In the time I have been in the job, I have talked with 10 or 15 MPPs about individual cases. No one has ever said, "You should make a loan to such-and-such a client through so-and-so." There was one case I mentioned where it was said: "I think your decision was wrong. Make the decision you want to live with, but all I ask you to do is to review it." In that case we did. I feel if we had said no, that would have been the end of it.

Mrs. Marland: I would support the role of the member of the Legislature being the furnisher of additional information and a local perspective, the kind of colour that the application may not have presented initially to the loaning officer. First, I would like to hear that there is an appeal process, but I think it would have to be to the board.

Mr. Mitchell: I have been around for 16 years and I can speak with a certain amount of authority on that subject. An MPP is certainly supportive of his constituent and it is his or her responsibility to represent the constituent, but I can honestly say there has been no interference, if I may use that term, relative to the elected members saying, "I want you to do the deal." Rather it is, "We would like you to talk to so-and-so."

Mrs. Marland: And additional local colour.

Mr. Mitchell: Certainly.

Mr. MacKinnon: If I may make an additional comment on this subject, there are two other levels of appeal or levels of interest. One is that the acting chairman of the ODC, the chairman of the northern board, made it clear to me on the first day I showed up in the place six months ago that he never wanted to see information arrayed by political boundary. He felt that the board would view any interference of that kind as a most serious matter, as did the minister. There is a very clear internal set of instructions both from the minister and from the boards and their chairmen that protects all interests here. There is a very delicate balance between service to the MPP, which we think we are obligated to provide and should provide, and interference.

Mrs. Marland: I raise the question because they are questions I have been asked and they are very good questions to have raised in this forum and to have you answer. I appreciate your answers.

To get back to the tourism and jobs aspect, naturally, as a member for Mississauga, I am terribly interested in that area currently. Just to get a step back from the Ghermezians, did the ODC get involved with Canada's Wonderland, for example, or was it asked to?

Mr. Mitchell: No, we did not.

Mrs. Marland: Were you asked to?

Mr. Mitchell: To the best of my knowledge, no.

Mrs. Marland: Not in a formal application.

Mr. Mitchell: No.

Mrs. Marland: Was it an ODC loan that was controversial--I have forgotten whether it was \$2 million or whatever--to Deerhurst? Was that ODC?

Mr. Mitchell: That was not ODC. As I understand it--not being directly involved, I will qualify my comments here--it was under this new initiative, the joint federal-provincial tourism initiative.

Mr. McKessock: Did you administer the tourism part under your corporation?

Mr. Mitchell: I have an idea it was done directly by the Ministry of Tourism and Recreation.

Mr. MacKinnon: We could verify that.

Mr. Mitchell: Yes. I do not think our special financial services were involved, but we could verify that. My recollection is that it was Tourism directly.

Mr. Rowe: It was done by Tourism.

Mrs. Marland: I would be interested to have the verification of Deerhurst, because I know some other operators of tourist resorts in the Muskoka area who really did wonder about how that was possible for one; although you mentioned, Mr. Mitchell, that obviously you want successful operators in order to be considered, and there is no question that Deerhurst is demonstrated as a long-term successful operator. Another one that certainly would be equal to that but apparently would not be eligible is Cleveland's House, operated by the Cornell family and with the same kind of background history in terms of success. They have not had the same government support and some in the area have wondered why.

Mr. McKessock: If you are business person and you get a \$5-million grant, it is pretty hard not to be successful.

Mrs. Marland: Yes. To deal with the aspect of trade, if you had a company such as Waferboard Corp. in Timmins, for example, the ministry for trade and tourism at the time--I think that was the title of the ministry before it changed--recognized Waferboard in Timmins because of its tremendous export scope. It received official recognition, the award of the province that year, which I think was 1984. It has approximately 17 per cent of the market in the United States. It is just a local company.

11:00

If they were looking for fixed-term money, and I understand they have been for some time, is that the kind of thing they could go to the ODC for? I am using this as an example because I am familiar with it. Is this the kind of company that could go to ODC and make an application under trade because it is exporting to the US?

Mr. MacKinnon: John, maybe you could comment on the particulars.

Mr. Mitchell: I am a little confused by the comments about trade and fixed-term money. Trade is exports against the security of receivables and it is very fluid. It is revolving. Fixed-term money is for bricks and mortar and machinery, that type of thing. We have both vehicles, fixed-term money for fixed assets and a revolving line of credit for export receivables.

The thrust of our programs is small business. Perhaps the reason they are not availing themselves of our export support loan is that the bank in

that instance is supplying them with the necessary operating line against the export receivables. With our export support loan, generally we see small business embarking on export sales or exporting in a relatively small way. Increasingly, we see we are now rescinding export support loans because the bank is coming to the party. We want to accomplish that. We want to grow bank customers and let the private sector come to the fore.

I suspect that a company such as the Timmins waferboard operation is getting adequate bank accommodation. If not, we would be pleased to look at an export support loan to assist it, bearing in mind our normal cap is \$1 million. But that is revolving.

Mrs. Marland: What do you mean when you say it is revolving?

Mr. Mitchell: The money is turning over. In other words, they have a \$200,000 order. The \$200,000 flows to the company to help with its cash flow. The customer in the US pays the \$200,000. That comes back in through a special account, so we are reimbursed against that. There are orders coming and going constantly. Payments are coming back; orders are going out. It is moving all the time.

Mrs. Marland: But the export support loan is capped at \$1 million.

Mr. Mitchell: Normally, yes.

Mrs. Marland: That is not enough.

Mr. MacKinnon: Whatever the specific forms by which the money might go into a project, in cases where somebody came to us with a large project beyond our limits, we would be of as much assistance as we could in saying where it could go, what other government programs are relevant and what federal programs there are. We would not let it go just because it did not conform to our limits.

Mr. Mitchell: There is the Export Development Corp., which is a federal agency, to assist with export sales.

Mrs. Marland: To get back to an example of industry and tourism, not trade, which would apply to a Chermezian proposal in Ontario--this is all hypothetical at this point--knowing as much as I am sure you do know about the proposal, is that the kind of thing that could be eligible for ODC help?

Mr. MacKinnon: I think it is fair to say that if anybody came to us with any project, we would have an open door.

Mrs. Marland: Okay. The reason I am being specific about it is, as I mentioned, it applies to Mississauga. In response to a previous question, you did mention an example where the loan was denied because of the impact on the local established businesses. I think it was specifically in tourism that you answered that question.

Mr. Mitchell: Yes. That is correct.

Mrs. Marland: That is why that question prompted my question vis-à-vis the Chermezian proposal. There is no question that their proposal for the Mississauga location would definitely have an impact on places such as Wonderland--I am trying not to be too biased because Wonderland certainly is not in Mississauga--on the Canadian National Exhibition at that time of the

year, on other established tourism attractions in southern Ontario and certainly on a lot of established commercial retail operations in Ontario.

Mr. Mitchell: To answer your question, it is a little of apples and oranges. If you are talking ODC and our small business mandate, no, the Ghermezians are not there. I read in the paper this morning where Niagara Falls has offered them \$74 million. We would be out of business with that level of funding. As David showed on the chart, we have a special financial services group that really does not have program dollars, and it works on the ad-hoc, one-off-type Toyotas of this world, etc.

Yes and no; we do not have a program and we do not have that type of money sitting in our back pocket to entertain the Ghermezians, but if the province decided it did want to participate, it would likely be through our special financial services branch. We would be the vehicle, but it would not necessarily be our funding. We would be more in an agent capacity.

Mrs. Marland: That is what I am wondering. To get an understanding of ODC, is that the type of thing the ODC would be asked to comment on?

Mr. MacKinnon: If there was a major tourism proposal of that scale, we would be asked for advice if the government decided to entertain the proposal. In all probability, our advice on the detailed financial structure and the modalities of doing it would be sought, although, as John mentions, we would do it only if that basic policy decision to entertain the proposal was made by the government. That would then trigger our involvement.

Mrs. Marland: Are you so independent that your involvement can be completely objective? Therefore, once you have been asked to be involved and to comment, are you so arm's-length independent that you can evaluate it and come back and say whether you think there would be an adverse impact on the established community? Would you be in a position to say that or, once the policy has been set, to say, "Let us give them something"? Would you be obligated to give it to them? What type of comment would you make?

Mr. MacKinnon: Let me talk again in pure theory and forget the specific example. In pure theory, if the government decided to entertain a major proposal--and I guess the decision would be to entertain it--then we would say what we felt in terms of the detail. It would come to us for analysis and comment. There would be no important dimension of it that we would not comment on or analyse. That is the answer in the generality. John, is there anything you want to add to that in terms of the specifics?

Mr. Mitchell: No. Our staff members have been informed in writing that there is no way they bend the rules. They call it the way they see it and let the powers that be decide whether they want to consider it further in those circumstances.

To use a tourism example, the Ministry of Tourism and Recreation would be the focal point to determine what impact that facility might have on other operations. If it was not tourism, we would explore this with the Ministry of Industry, Trade and Technology and look in other directions to determine what impact an industry might have on the local industry.

11:10

Mrs. Marland: You make full comments on all sides of that impact?

Mr. Mitchell: Part of our evaluation is to comment on the products, markets, competition and impact.

Mrs. Marland: Good.

Mr. McKessock: Can I have a little clarification?

Mr. Chairman: I have quite a list.

Mr. McKessock: It is just a clarification.

Mr. Chairman: A supplementary is what you are talking about.

Mr. McKessock: A supplementary. If it is tourism, it is Tourism and Recreation that gives the comment on how it will impact. If it is industry, then you would be involved as to the impact. Is that right?

Mr. Mitchell: And draw on any resources. If a particular consultant was not that knowledgeable of an industry, he would draw on his colleagues in the ministry to get some support, asking, "Is this is the kind of thing we want to do?" Often our referrals come through the ministry's industrial development officers, who are out knocking on doors in the industrial community in the regions.

Mr. Lane: I have a couple of comments and then a short question or two.

Mrs. Marland's comment was that perhaps an MPP should not get involved at all. I feel it is important that an MPP does get involved, although not in the political sense, because oftentimes a member will know things that have been overlooked or not understood.

If you will pardon a personal experience, I had the opportunity to be the parliamentary assistant for that ministry for a time. I recall the NODC board of directors turned down an application that I felt had not got proper consideration. It was not for one of my constituents; it was for another person in northern Ontario.

The reason I felt it had not a received proper review was that it was a new technology application; you could not see any tangible thing sitting outside. Normally, you can see a building--a new plant, a new motel or something--but in this case it was something that you could not put your hand on. After some dialogue with officials in the ministry, we put the thing back on the agenda and it was approved the next time. As far as I know, it worked out very well.

I think there are times when MPPs can and should put forward some ideas. Certainly, they should not make it a political issue, but it should be information that perhaps has been overlooked. That is just one example. I did the person a service and perhaps everybody benefited from it.

The other thing I was concerned about when you were showing the graphs was what you would consider a trade application from northern Ontario. Trade was practically nil there. Knowing that we export millions of dollars' worth of finished products from big companies, such as paper and mining firms, that would not be making applications for loans--they would not be coming to you people for loans of last resort--what would be a trade application from myself or somebody in the north? I am not clear what would be a trade application.

Mr. MacKinnon: We are getting to an area that will have to occupy us a great deal during the next several years, and that is the composition of our

portfolio. We would very much like to see in northern Ontario a great many more manufacturers who export, but the question of finding them and how to grow them is the problem. The decision for a small business to export is in many ways a milestone decision. It is very hard to cross the barrier from being a firm that is producing for domestic markets, that is comfortable in the knowledge of its operations in those markets, and to make a big jump to exporting beyond the country, particularly beyond the continent. It is a huge decision. We would greatly value any company that showed the prospect of making those kinds of adjustments.

Mr. Lane: I would too. Being a senior member of the Legislature--I am not the senior one who was referred to a while ago, but being senior in age--I see all kinds of opportunities for trade in northern Ontario with resources that are not now being used. However, it is difficult to find entrepreneurs. It is difficult to find somebody who wants to put his life's savings into something that has not yet been tried. Perhaps there has not been a study done on the market and he is unable to do a study, feeling that if it is negative he will not go ahead and he will have spent a lot of money on the study.

Is there any assistance in finding out whether a trade application could be viable before the guy gets to the point of asking for help and putting his own money on the line?

Mr. MacKinnon: In the north we go to a great deal of effort to encourage the guy to expand or export before he actually does so, and quite often in cases where somebody does and gets into trouble, if we think he has a product, we will stand behind him. Our northern Ontario board had a meeting in Sault Ste. Marie about 10 days ago. I am going to disguise the case, but it is an interesting one because it tells you what we do.

There was a chap who had a small company making metal tubing of a specialized kind, and he had real difficulties. He had a dream. He had not exported; he had not really been in operation, but he had a dream. He started on his own and, as he grew, had major difficulties in getting credit from the commercial banks. He was a very high risk. As a former banker, I would say there was a 25 per cent chance of the guy failing.

The corporation stuck with him and supplied a lot of expertise and advice. When he contemplated a major business step, our consultant referred him to whoever was around who could help him. All the resources of the government knowledge network were involved in this case. The guy now is doing very well in a business that will probably be high risk until he gets to be very much bigger than he now is. The loans are being repaid satisfactorily, and the company now employs twice as many people as it employed a year ago in a city where every manufacturing job we can get is a major plus.

We have supplied him with expertise. Our consultant, who has a very good relationship with him, has provided him with encouragement and support when he needed it. We have stuck with him under terms where any normal commercial creditor would probably have withdrawn.

The answer to your question is that in the north, where we find somebody who has a chance of succeeding in those kinds of areas, we will take very considerable risks to stick with him; sometimes we will lose.

Mr. Lane: I guess the problem is really not yours; it is finding the person who is dedicated enough to any given potential that he wants to put his

own money and his own life on the line, more or less, to make it succeed. You have to have that dedication, obviously, or you are not going to succeed.

Mr. Mitchell: If you are talking about trade and export, there is a maturation process relative to industry. One of the things we do not encourage is a business starting up and immediately entering, necessarily, the export market, because it is quite a different market. There are different problems associated with supplying in the United States, for example.

I can recall a business years ago; it happened to be in equipment. The entrepreneur immediately grabbed the tiger by the tail, and he was interested in exporting. He ended up running into all kinds of equipment problems. They were scattered throughout the US. Our security ended up being cannibalized in that they needed parts and they needed them immediately; so they took complete pieces of equipment for parts, and it was a serious problem. The company did not survive in that instance, but that is the kind of thing that if you get into the export market too early in the game, you can enter into great difficulties.

11:20

Mr. Lane: I agree. I do not want to prolong the dialogue, but let me give one example. In the north there is an abundance of cedar wood. It has no value as pulpwood because it cannot be utilized as pulpwood. Much of it has a hollow centre. Cedar tends to have a rotten centre so it cannot be sawn into lumber or two by fours because you rip the thing lengthwise. When you are cutting shingles, you turn the block and cut the shingles off the edge. There is much good wood going to waste.

In recent months, the last time I took a look at it, no shingles were being produced in Ontario. We are importing them all from British Columbia or Quebec, giving them not only labour wages but also transportation costs and so forth. Yet here in Ontario, especially northern Ontario, we have millions of cedar trees that are not being utilized because of the fact they are not usable for pulpwood and they are not usable for lumber because of the hollow centre you run into if you start to rip it. That is one example. I could give a dozen other possibilities.

You would not have to be an export company to start with. You could fill the local market. I know the market for cedar shingles or shakes is not great today but there is a market there and it is coming back, as many people will realize. New homes now often have cedar shingles, which they did not have 10, 12 or 15 years ago. Even restaurants have cedar walls with shingles to get the outdoor look. There is a market. How big a market, I do not know. I have not had a study, but that is one example of an industry application that would come from the north that I would hope would get a lot of support that I do not think has ever showed up.

Mr. Mitchell: It would have more domestic market applications because of the 35 per cent tariff on shingles.

Mr. Lane: In recent times, yes. It is something I was interested in.

You mentioned getting a second loan, somebody having \$100,000 and getting another \$200,000 or something. That is one thing that used to bother me. When somebody did get one, two or three loans spread over three or five years because he was developing faster than he anticipated or whatever, there seemed to be no way to roll those loans together and make one payment on a

total rather than having to pay off each loan at the rate of interest that was the order of the day when he got the loan. If he got it in 1981, the interest was probably 21 per cent, whereas if he got it now, it would probably be half that.

It seems to me when you make a second loan and the interest rate has changed, you should be able to roll that second and third loan in with the first loan and come up with a proper percentage for the day's business rather than what it was costing him because there was nobody who could afford to operate on 20 per cent. They sure as hell cannot afford to pay the loan back at 20 per cent either, even though he made the loan at that point.

Mr. Mitchell: That is likewise a concern for us, and the option is a floating rate. That has problems as well as far as the borrower is concerned. On the export loan, that is reviewed quarterly because that is money we have that we continue to revolve. On the fixed rate, when we approve a loan, we are committed to repay the Treasury at a fixed rate through the term of that loan. Those funds are committed. If it was 16 per cent, it is quite conceivable that we pay Treasury 14 or 15 per cent. We are locked in. If we reduce it to 10 per cent, we are taking a hit because we are still committed to repaying Treasury at 15 per cent. We get approached on this frequently, and I am talking about our term loans: "My interest rate has now dropped." Unlike conventional lenders, our loan can be retired at any time without penalty or prior written notice. The escape for a borrower who is paying the 16 per cent is perhaps having his bank take him out at 12 per cent, without any penalty.

Mr. Lane: I do not want to disagree with you, because obviously you are working on a daily basis and I am looking at it from a distance. However, maybe the banker would not bail him out. Banks have not been all that helpful in the past 10 years. Unless something is done, that chap is more likely to go bankrupt because that 16, 18 or 20 per cent is still there. Now money is worth only 10 per cent. Should there not be some way Treasury and yourselves can get together so you do not get caught with the change? After all, Treasury is not entitled to 16 per cent either if it is worth only 10 per cent today.

There should be some way. I know it is a big problem. I have had people come in, and I have tried to help them get it rolled into a package and it cannot happen under the act. I guess I am saying, can the act be changed? Or should it be changed?

Mr. Mitchell: I do not know whether the act could be changed, whether we could get Treasury on side or whether there have been any discussions in that regard. I will come back to your question and the approach we take, though.

Mr. MacKinnon: Of course, Treasury is borrowing money, and the rate it charges us and the term are related to its own borrowing pattern, so the problem backs right up through the whole system. That is the problem.

With the committee's indulgence--I am the new guy on the block in terms of some of these kinds of arrangements--I think it is fair to say that if we had a company that was running into difficulty through a very great debt burden associated with one of our loans and the loan had been made at a time of unusually high interest rates and we thought the company had sound prospects, we would probably try to find a way to help.

Mr. Mitchell: Yes, absolutely. Where the very survival of the company is at stake because of the cash flow burden, we can defer interest

payments or extend the term of a loan to reduce the monthly repayment requirement to enable them to generate a positive cash flow and enhance their opportunities to survive. It is not uncommon that we do this through our loan administration branch when companies are in trouble.

Mr. Lane: I appreciate that. I knew there was co-operation and a great deal of help for people in trouble. However, I still go back to the person who has two or three loans; it is most inconvenient for him or her. It seems to me that in this modern day and age we should be able to work out not having two or three loans but one loan at a given rate of interest, so that when the second or third loan is made, you could come up with a rate of interest for the entire loan and it becomes one payment rather than six or seven or whatever.

Mr. MacKinnon: Can I come back to that a bit later?

Mr. Lane: I was not going to bring it up except that we sort of touched on it.

Mr. MacKinnon: It is an eminently fair and reasonable point. The context in which I would come back to it touches on an issue of great significance, the future of the corporations. Any financial service in business these days is driven very fundamentally by its computer systems and the technology it uses internally to be able to do those kinds of things. We recognize that we have a need to change much of our internal processes so that we can do exactly that kind of thing. There are other cases in other areas, and I will come back to it in detail and seek the committee's advice on it.

11:30

Let me give you an example of why we have to develop a capacity to cheaply customize and deal with our borrowers in ways similar to the ones you suggest. I will disguise names, but if a customer comes in the door and says, "I want \$1 million for three months," one major commercial bank these days is able to say to him: "We will lend it to you, but we are going to do something different. We are going to make you a series of loans covering the exact amount you need for each day of that three-month period. Effectively, what we are going to do through our computer systems is take the cash you have on in your account at the end of every day, take the cheques outstanding against that account and lend you that difference for the next business day." At the end of the next business day, the computer system will allow them to do the same for the next day.

The effect is that over the period of three months, instead of lending the guy \$1 million for the three months with all the associated interest costs, they may lend him an average amount of only \$800,000, in which case his costs are reduced by 20 per cent.

The key to being able to do that and to doing all the other things such as that--and I can think of 100 areas where we could make those kinds of improvements in our system--is your internal technology within the lending institutions: how good your computer systems are, how good the people running them are and how fast they operate.

Mr. Lane: That is why I was not going to bring it up until your presentation was over, because I thought probably you were going to explain it to us. It is a major problem. I will be happy to drop it at this point and maybe we will get back into it.

Mr. MacKinnon: I will come back to it.

Mr. Leluk: You have certain criteria you look at when people apply--say, small business people, entrepreneurs. You look at management, at risk factors. I was looking at some figures here. I see that at the end of the 1985 fiscal year there were some \$12.5 million in loans written off and guarantees honoured. I see that the losses for the year were about \$16 million, although some of that is recouped from the Ministry of Industry, Trade and Technology. I see that this year \$27 million was made available to all three corporations for the issuance of new loans.

That loss on the writing off of loans and guarantees is running at about 40 per cent of what the allocation is for this year's number of loans. Are you people satisfied with your track record? We know businesses are going to fail, but I am just wondering whether we are doing a good enough job of looking at the risks for some of the companies that apply.

Obviously, some of them are failing. I do not know what that failure rate has been, but it seems to me like a substantial amount of money. I am looking at 1984-85 here. There were 665 loans and guarantees approved, totalling \$61 million, for small and medium-sized industrial enterprises. I am looking at the annual report, where it is estimated that about \$22,400,000 of that money was written off for loans and the honouring of guarantees. It seems like a substantial amount of money.

Mr. MacKinnon: If it were that substantial an amount of money, I would be jumping out the window.

Mr. Leluk: I am a layman here. I would like to get your comments.

Mr. MacKinnon: First of all, the total volume of our loan portfolio outstanding is something on the order of \$400 million. I believe it is just over \$400 million as of the end of this current month. The amount we are writing off normally expresses a percentage of the portfolio that is outstanding at a given time. Our experience over a recent eight-year period is that we have written off 3.11 per cent of the portfolio each year. This is a rate that is roughly, if my memory serves me correctly, four times commercial banking experience. A large commercial bank would normally write off something on the order of 0.75 per cent. We are making loans that are roughly four times as risky as an average commercial bank.

Mr. Leluk: That would require, therefore, that much more scrutiny as far as whether they should get a loan is concerned.

Mr. MacKinnon: Yes. We make a custom loan. We subject them to great scrutiny.

Mr. Leluk: I am all for assistance, by the way, of small business and the creation of jobs. I am just trying to find out whether you are satisfied.

Mr. MacKinnon: As I understand the directions our corporation has been given over the years, governments would probably find anything up to five per cent of the portfolio a reasonable risk to take relative to the benefits incurred. If we approached commercial banking experience, you could be entitled to ask, "What are you doing that is different from a commercial bank?" We do not want to be below two or three per cent.

Mr. Leluk: You are running around 3.1 per cent.

Mr. MacKinnon: Yes, 3.1. But equally, if we went above five per cent, we would have to examine what it is we are doing and how we assess things. I think the right category to be in is somewhere between three and five per cent, which is consistent with what the government wants to achieve.

Mr. Mitchell: We certainly are at the risk end of the scale relative to the leveraging of total investment. One of our responsibilities is attempting to negotiate the best security we can negotiate recognizing that the banks, Roynat or other term lenders want a first charge and that type of thing because of their different mandate. As a result, we are on the risk end of the spectrum.

Mr. Leluk: Regarding the number of applications, we heard they have fallen off somewhat in the tourism industry. Is this true for industry and trade? We have talked about 6,000 businesses being helped out since the inception of ODC. Are the number of applications increasing, decreasing or are they fairly stable at the moment?

Mr. Mitchell: We have been extremely active in part because of the type of lending we do. It has settled down in the past six months. It was slow back in the recessionary period. It increased substantially and it has tended to level off. We have noticed that the loans are increasing in dollar amount relative to our applications. It is because they are looking to more sophisticated equipment such as computer and numerically controlled machining centres and the computer-aided design and computer-aided manufacturing systems, which require a fair capital outlay. There are greater demands in the dollar amounts without, necessarily, the accompanying increase in the number of loans.

Mr. Grande: I have a few questions that basically deal more with the overall picture as opposed to specifics. I hope I will get to the specifics on my last question. What are some of the biases that you have in dealing with applications and approval of applications? We heard one example where the suggestion was if an enterprise is located in southern Ontario as opposed to the Niagara Peninsula in terms of the tourism industry, there seems to be a bias there because the Niagara Peninsula is more of a tourist attraction than another area. It may be considered a bias. What other types of biases do you deal with on a daily basis in accepting or rejecting applications?

Mr. MacKinnon: I do not think anybody has been able to devise a process of lending money that is bias-free. If you did, it would probably be a type of clinical process which might not meet real needs.

Anybody who lends money brings a store of experience and information that does tend to lead to biases of various types. There are two things you want to do in a lending institution. First, you want to make sure that a decision is collective to some extent so that biases are reduced and, in particular, individual bias is managed. Second, you want a system of review and control so that if a bias situation does take place, it gets another examination by other people or by boards.

My first part of the answer, in general, would be that there is bias there. Anybody who says he is unbiased in how he lends money in the process is wrong. It is a human process and it brings with it all the errors and tribulations that sometimes happen.

11:40

Mr.-Grande: I do not mean to suggest the biases are necessarily wrong.

Mr. MacKinnon: You are right to make that observation. We do not either. We want people who to a certain degree are biased, but we want to manage the biases so that the outcome achieves what the government wants us to achieve. That is the process we are engaged in to a degree. It is also fair to say we are a corporation of shareholders. The government is the shareholder. It wants to achieve major objectives such as growth in northern Ontario. The result, as you can see from the numbers, is that our lending process is significantly biased in terms of northern and southern Ontario. Our lending activity there is double what it is in the rest of the province. That is a conscious bias that follows from what the government has decided it wants to do as public policy.

Mr. Mitchell: To address the southwestern Ontario-Niagara Peninsula scenario relative to bias, we are represented by quite different regional offices in those locations. Hamilton services the Niagara Peninsula, and London, which is probably one of our most active offices, services southwestern Ontario, as does Kitchener. There is a competitive environment. There is no negativism. They are residents and they are interested in generating development opportunities in their respective areas. An element of competition exists. It is not a case of Toronto determining that it has a bias against southwestern Ontario vis-à-vis the Niagara region.

Mr. Grande: I did not mean to imply that. Let me be more specific in terms of the biases. Perhaps you touched on it in terms of government priorities and policies. For example, an area such as northern Ontario has in the past several years been hit hard in terms of its economy. I notice that the graphs seem to suggest, and rightly so, that while for the years 1983-84 there is a dip for eastern and southern Ontario, there is an increase for northern Ontario. That is a bias that is fine, and I am in agreement with it. If an area suffers from a high rate of unemployment, there should be a bias of some type so that if we can create employment through loans or whatever to small business, we will and we will bend over backwards to accomplish it. That is a fair bias.

Is the area of southern Ontario looked at as a block or is it looked at in terms of certain areas there that are more depressed than others economically and in terms of employment? Do the biases, which I agree with, transfer to those areas as well?

Mr. MacKinnon: In terms of bias, I am trying to think of an example in response to the question. I will take one. We find that at present in southern Ontario the recovery from the recession of 1981-82 has been spotty. There are very strong communities in southern Ontario and there are communities that, by and large, have been bypassed. We do not look on it as a block. All the evidence available to us is that it is not. There are significant areas, and the Niagara region is one, where there have been very serious problems amidst the recovery of the past three or four years.

An example of a town that has been depressed for some years is Port Colborne. For 15 or 16 years, it has been an area where, as I recall the numbers, and I would have to verify them, we have made 23 significant loans since 1969 or 1970. We have been active. We worry about the depressed towns more than we worry about the very successful towns for reasons that bear on

our role as a developmental agency. People are more likely to be able to get commercial credit in fast-growing communities where the economic conditions are buoyant and where growth is occurring than they are in areas where those conditions are not prevalent. Other things being equal, that would mean we would be relatively more active in the depressed areas than otherwise, because we are not in the business of substituting our land for commercial land.

Yes, there is a pronounced desire to pay serious attention to communities that are not sharing in generally prosperous economic conditions. I think that is a fair way to put it.

Mr. Mitchell: A case in point is the one to which you made reference. We sat in there and had reservations. It had a major impact on a very small community in southwestern Ontario. We approved the loan. Even though we had that grave concern, we went that extra mile, recognizing there were 80-odd jobs available in this very small community.

Mr. Grande: Let me then go to a specific case in the area I represent and know best, namely, half the city of York in Metropolitan Toronto. A considerable number of small businessmen have approached me regarding grants, etc. Normally, I give them the information to get in touch with people in ODC. From there, I assume all the expertise you have in terms of consultations and of talking to the businessman in the language businessman understands would be there and the services provided.

My experience has been that those businessmen come back to me saying: "I was told there are a certain amount of dollars for southern Ontario and that is it. Those dollars were apportioned very early in the fiscal year and there is nothing else." To the extent that is correct, I leave it up to you to answer.

Is it a fact that at the beginning of the fiscal year of April or May, all the dollars that are available are apportioned so that if someone comes to you with an application some time in June, July, August or September, he will have to wait for the next fiscal year before he could be considered?

Mr. MacKinnon: I will respond in general terms and then ask Mr. Mitchell to comment. We do not apportion the funds at the start of the fiscal year in any real sense. I guess there are global targets. Throughout the year, if we find one area is short of money and the other area has a surplus, we shift back and forth. We try to be flexible. We are not operating under a very fixed set of month-by-month targets for spending in southern Ontario as opposed to northern Ontario.

Mr. Grande: I am not talking in terms of northern or southern Ontario; I am talking within the budget you have for southern Ontario. It is obviously a fixed budget that you have within southern Ontario and a fixed budget that you have for northern and eastern Ontario. Within that fixed budget, you operate within those particular regions. I am just giving you the impression or what I get back from my constituents in the small business community when they get in touch with ODC. That is the common response I hear from them when they return to me.

We were talking about those factors and the biases. The city of York happens to be one of the depressed areas in Metropolitan Toronto in almost every conceivable way under any factor you want to consider. Therefore, I am very interested in knowing whether it is possible to discover, let us say, during the past four to five years, what applications you have received from

the city of York and what approvals you have decided in your wisdom these people shall receive. Is it possible to get that information?

11:50

Mr. Mitchell: Perhaps at this point it is appropriate to bring to the committee's attention the types of small business that we entertain, that is, secondary manufacturing, service and supportive manufacturing. Examples would be a machine shop without proprietary products and tourism. Tourism is geared to areas where tourism is of prime importance to the community. Metropolitan Toronto is excluded from tourism assistance outside of a very small program to upgrade tourism facilities. It is limited to \$50,000.

We do have a budget for all corporations, and that budget is firm. It is of endless concern to us to make sure we are on top of it. Perhaps what you are hearing is that we do have to watch our budget. There is no question about it. We may have to use a guarantee as a vehicle rather than direct funding because of the budget restrictions, which include all corporations.

We do not allocate so much per area. What we have done very roughly, historically--and there is nothing magical about it because this year to date, the north and east have exceeded this--is that the north and east each has 25 per cent of the budget and the ODC has 50 per cent. I am talking about direct term loans. That is not cast in stone, and right now, the north and east have exceeded that level.

Mr. South: Are you talking about Ontario when you say north and east?

Mr. Mitchell: Yes. The only program we ever put on allocation was a very temporary program, a trial balloon for new ventures. This is where the new program has flowed from. It was because of serious budget considerations, what we called our help for entrepreneurs loan program, HELP. We allocated so much per office, but we had some flexibility built in there relative to a particular area, if required. There is no hard and fast rule, such as, "London office will only entertain loans of X numbers of dollars in a fiscal year."

Mr. MacKinnon: If I could make an enlargement, there may be issues we could explore, one of which I will raise with you this afternoon. It involves not only the expenditure side of our operations but also the revenue side. At present we manage, as most departments do, almost strictly on the cost side, but in actual fact the corporation does return a cash surplus to the government each year. It is a cash surplus, not conventional profit. We would like to be able to operate somewhat more flexibly on the revenue side.

Let me give you an example. It goes back to the observation I made to you that the administration of a loan is often as important as giving a loan in the first place. We can manage our recoveries process so additional cash is generated. We had a case not long ago where we had given up on ever getting back some money we had in a company, but one of our loans administration officers was persistent and stuck with it. Years after we thought we had lost it, he got the money back, and some \$300,000 materialized quite unexpectedly. We could, under some circumstances, if we had the right degrees of freedom and control, manage on the revenue side so that our ability to fund new loans is enhanced and fund our other activities more flexibly.

As John mentioned, if we do run short of money, one device we have is to use guarantees rather than loans. That can be quite useful, and at the moment we have the flexibility to do that. Potentially, there are ways, particularly

by managing on the revenue side, enhancing cost recovery and so forth, whereby we might be able to generate additional means by which we can fund new lending activities.

It is appropriate, and I will come back to this in greater detail this afternoon, that we worry more about the revenue-generating side of the corporation's operations than we have done historically, precisely for the reason you mentioned, to free up, to give us additional flexibility to do more at the front end.

Mr. Chairman: Mr. Grande, it is now 12 o'clock. I assume you have more questions.

Mr. Grande: Let me follow with a brief supplementary. The question I asked was in regard to the specific York applications versus approval. Are you suggesting that the information is available or is not available?

Mr. Mitchell: I think we could supply that information. Do you want it since inception?

Mr. Grande: That is fine. I am concerned with the past three to four years, because that part of my world was hit within the past three or four years with the depression, more than at any other time.

Mr. Chairman: I have Mr. Smith on the list. Do you have several questions or one quick one?

Mr. D. W. Smith: I have one question. I want to know where you call the boundaries among southern Ontario, eastern Ontario and northern Ontario. It may be a conceptual line, but where is it?

Mr. Mitchell: The district of Parry Sound is north. East is Northumberland east.

Mr. D. W. Smith: Does southern Ontario go quite a bit east of Toronto?

Mr. Mitchell: What is the village it goes through? It is Northumberland county.

Mr. South: Northumberland east. It is approximately Northumberland.

Mr. D. W. Smith: Is it Madoc?

Mr. South: It is Trenton; I guess it is Madoc.

Mr. Mitchell: We could produce it.

Mr. Goodyear: I can give you that specific information. The town of Newcastle and the counties of Victoria, Peterborough and Haliburton are included in the Eastern Ontario Development Corp. West of that is the Ontario Development Corp. Parry Sound and north is the Northern Ontario Development Corp.

Mr. D. W. Smith: Did anyone ask for a list of all the businesses that have been given loans throughout the development corporations? Did anyone make that request?

Mr. Chairman: I believe the researcher, Mr. Eichmanis, requested that. I do not know whether it is available. We were going to get into that later anyway.

Mr. McKessock: We get that every year, do we not?

Mr. Eichmanis: It was my understanding that it was for the fiscal year 1985-86.

Mr. D. W. Smith: But you can get it?

Mr. Eichmanis: I talked to Mr. MacKinnon and asked him for that information.

Mr. Leluk: Did you also request the list of companies where loans were forgiven, as well as the guarantees for the fiscal year 1985, the \$12 million or whatever it was? I want to see which companies were on the list.

At what point do you forgive the loans? Does a company have to declare a bankruptcy? At what point is that loan or guarantee forgiven? What happens if a business is failing and a person sells the business to another company?

Mr. Chairman: Nick, it is 12 o'clock.

Mr. Leluk: I am sorry. May I carry on with that after lunch?

Mr. Chairman: Yes. I think we will get into that this afternoon.

The committee recessed at 12:03 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO DEVELOPMENT CORPORATION

THURSDAY, SEPTEMBER 4, 1986

Afternoon Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

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South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Grande, T. (Oakwood NDP) for Mr. Hayes

Offer, S. (Mississauga North L) for Mr. Poirier

Sheppard, H. N. (Northumberland PC) for Mr. Rowe

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Development Corporations:

MacKinnon, D., Executive Director and Chief Executive Officer

Mitchell, J. M., Director, Loan Applications Branch, Ontario

Development Corporation

Copfer, W. C., Manager, Financial Services

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, September 4, 1986

The committee resumed at 2:08 p.m. in room 230.

AGENCY REVIEW:
THE DEVELOPMENT CORPORATIONS
(continued)

Mr. Chairman: Mr. Leluk is not here. He had some questions he wanted to ask you. Perhaps we can defer them until later. Would you like to carry on with the next part of your presentation?

Mr. MacKinnon: This morning we gave a fairly thorough review of what we do and of some of the issues connected with what we do. I would now like to move into a discussion of the future of the corporations and the kinds of changes we would like to make to be sure that we can continue to operate successfully in coming years.

From the throne speech and from the budget, we have a sense that significant change is in order. There is a variety of reasons we feel we have to look at how we are operating with a fresh viewpoint. Perhaps I can go through some of them here.

As anyone who has dealt with a financial institution with any frequency will have observed, during the past 10 years the pace of technical and organizational change in all lending institutions has been very rapid. We have interacting computer data networks. We have automated teller machines. We have dramatic productivity growth as a result of those changes. We have whole new sets of products. All those changes in the financial system have taken place over the past 10 years.

A few weeks ago, I was talking to a senior banker who has been around and who was about to retire, and his claim was that the financial system had changed more in the past five years than it had in the preceding 25 years.

It is fair too to say in an objective way that the development corporations have not at this point, for a variety of reasons, kept up either with the technical change or with the product change to the extent that is necessary. As I mentioned this morning when we were talking about the case involving how a bank would lend and the series of one-day loans, you can see that if you can get a series of one-day loans exactly for the amount you need and not a dollar more and not a dollar less, anybody who is able to provide that service has a fairly decisive advantage over anybody else. Indeed, the service is so powerful that it is clear that, to stay in business, all the major competitors or others wishing to make loans as we do, with a developmental impact, will have to adopt the same techniques to some degree. It is really a matter of survival.

Very rapid change in the financial services industry means that for those reasons we must adopt some of those changes as well, particularly--and I will come to this later--those involving new products and much more effective use of advanced data processing than we now do.

There is a second reason, for our sense, that we have to look at how we are operating much more thoroughly, and that involves changing patterns of regional growth. In previous years, whenever we had a recession, quite often the recovery from that recession started in southern Ontario and very quickly translated itself into the demand for more resource products in the north and elsewhere. Clearly, that has not happened in the 1980s as a result of the 1981-82 recession. It is clear that throughout nearly every area of northern Ontario, as we all know, there are very serious problems, and this time in some very large communities.

We have a sense that notwithstanding the very pronounced effort that we have made to steer our activities in support of northern Ontario, in particular, the problem is rapidly assuming dimensions bigger than our efforts to deal with it.

A third reason for our desire to take a very close at what we are doing is related, in a sense, to that business of regional development, and it involves changing patterns of an economic growth generally. First, I have listed four of the changes that probably cause us the most concern. Perhaps I can just run through them.

The first is that for the first time in this country's economic history, we have noticed that the growth in manufacturing and in the services sectors seems to be quite unrelated to growth in the resource sector. There are a lot of reasons for that. There is an interesting chart in the recent issue of the Scientific American, which compares the weight of a 1976 Chevy Caprice with the weight of a similar 1986 model car and the difference is 900 pounds of steel, rubber, glass and everything else that will not be produced because the size and weight of the vehicle has changed, and yet the 1986 vehicle still does everything the old one did.

Also, particularly with two-income families, there is a general shift away from some of the traditional products and satisfaction from additional goods, and more towards consumption of services. Those two factors taken together mean that for the first time you can get very significant growth in manufacturing and in other goods-producing sectors without that growth translating itself into the resource sectors which underline much of northern and eastern Ontario and, indeed, large parts of southern Ontario.

Another factor involves, again, manufacturing differences from past practice. In the early 1980s, in Canada and the United States, productivity growth in manufacturing resumed at a substantial level for the first time in several years. The result is that we have seen very rapid manufacturing output growth, but a very little--and certainly not a corresponding--increase in employment in the sector. That is one of the reasons that job creation since the recession, while still significant, has not been at anything like the level required to absorb people coming on to the labour market. A major American magazine--I believe it is Business Week--predicted that this trend would continue, that the United States in five years would produce 20 per cent more manufactured goods with something in the order of 20 per cent fewer people working to produce them.

A third major factor, and it involves how we finance growth, is that in many ways financial markets are more and more divorced from what is happening in goods production or services. They are becoming driven by global factors as much as by anything else, global political factors particularly, so that the kind of traditional financial service that is oriented to a community or

oriented to a particular geographic locality in large parts of North America--more so in the United States than here, but still here to a significant degree--no longer has that orientation.

Flows of funds move in response to factors quite separate from how local economies are doing, and that means you really have to look at how private sector lending patterns in this province and in its various regions are changing in consequence. There is a very important set of factors there. What we see as being one of the results of that trend is a sense that in nonmetropolitan regions a credit from the commercial banking system is becoming more difficult and more costly than it once was.

As I mentioned previously, it is clear there is a major shift towards the service economy as opposed to goods production. We think our lending patterns increasingly are going to have to reflect that. So much output is coming from services, particularly business-related services, that it will no longer be possible to have a developmental agency that focuses very largely on manufacturing products and on resources and tourism. We will have to find areas in the service sector, particularly business-related services, where we should focus our lending efforts increasingly, not only to stay in the game but also to ensure that those new sectors of industry grow in communities outside Metropolitan Toronto and Ottawa, the areas where they are growing most rapidly now.

Finally, there is increasing concern for filling gaps in high-risk lending investments. That is another concern we have. It is clear to all who have studied the financing of small business in Canada that the major problem with small business is starting up and with the first year or two after they start up. In that period of time, it is very hard to get anybody to lend to them, because there is no track record of the management on which one can lend.

If you do lend and take a gamble, you still have a heavy burden of debt repayment, which for most firms is most difficult when they have their early marketing efforts under way. We have identified that one area for the future of the corporations that will be really important is how to help the startup enterprise. I will go back to that issue in greater detail.

Another area is in high-risk lending. I mentioned this morning the percentages. A commercial bank generally will write off less than one per cent of its loan portfolio and we write off something in excess of three per cent. It is fair to say that at no time since the war has the banking system been under the pressure it is now under. It is under pressure in relation to Third World loans, but even more seriously, it is under pressure in relation to real estate and energy loans in western Canada and in the western part of the continent generally.

The result is that some of the costs associated with those problems are being passed on to customers elsewhere. It also means that bankers are finding it difficult to stay in areas where they have operated historically for many years. Thus, we see higher-risk lending as an area where the banks are increasingly reluctant to participate, and even though they have had participation problems in the past, we think they will be worse than they ever were. The higher-risk commercial loans and loans for startup enterprises are two significant gaps that worry us and cause us to rethink what it is we do.

14:20

Perhaps I can come back to some of those pressures, but I would like to describe a response in terms of three categories.

Mr. Swart: May I ask a question now, or do you want them at the end?

Mr. Chairman: Let us take questions as they come up, if you do not mind.

Mr. Swart: I understood you to say you felt the development corporations had not kept up with the new technology. In your subsequent remarks, I presume you were referring to not having kept up to the technology with regard to the requests for loans and the types of businesses that are requesting them. Did you include your own administration operations in that?

Mr. MacKinnon: I am talking primarily about our own internal administrative operations. It is not unique to us. The pace of change has come so quickly in the past five years it is very easy to be overwhelmed. The personal computer has come into widespread use, as have spreadsheet forms of analyses and various sophisticated forms of linking financial institutions electronically. All that has happened in the past five to seven years. We are not significantly into any of them.

Mr. Swart: Are you satisfied with your own internal information assembly? Are you computerized so that you have on file full information on markets, etc., to make these decisions, apart from the external lag in technology, if you will? I realize they are related.

Mr. MacKinnon: I think the candid answer is in a sense to be found in the government statement in the budget that it wanted a significant revamping of how the corporations manage their business internally in upgrading their service. We are not satisfied and, more important, the government is not satisfied with the state of our internal technology.

Mr. Swart: I have another question that is somewhat related. This may have been asked this morning. I apologize if it was; I was not here.

In this whole field of your operations, do you take initiative in studies on the kinds of development for given areas and promote those types of development, or do you only respond to applications? If you came to the conclusion from studies that certain types of development should take place in eastern or northern Ontario, do you go out and promote that, or do you still just respond to applications from people who may want loans?

Mr. MacKinnon: After I make a general comment, maybe Mr. Mitchell can make a specific one. The proper answer is that we do both. Through our regional offices, we have the people who make the loans living in communities. They are sensitive to what is going on in those communities. They know the strengths and weaknesses. In some cases, we have had a good record in terms of pursuing the strengths of communities. I cite Ottawa, where we have a good record as a high-technology lender. The Sault, where we have made some loans to manufacturing enterprises involving steel, is another, although we have not made nearly as many there as we would like.

That comes from the initiative of our local officers, rather than from any formal study or grand design that might exist. However, I think it is fair to say we are highly dependent on getting good proposals. No amount of promotion we can or do do can overcome a gap in proposals coming from business people in communities.

Mr. Swart: Perhaps I can be a little more specific for places such as eastern and northern Ontario. Do you have a list of businesses which would get higher priority because they fit more adequately into the circumstances in those areas? Do you have anything of that nature?

Mr. MacKinnon: No. We have an informal sense, and the government directs us in some kinds of lending it would like to see us do more of, for example, in northern Ontario. We talked about that extensively this morning. However, we do not have a grand design and I do not think we ever should have one. It is amazing sometimes what some business people are able to achieve when all the apparent facts are against them. I think it is very difficult for a bureaucracy, whether it is a government or a commercial bank, to say one sector of business is inherently more worth while than another. We would get into real problems if we started doing that and as a general rule we avoid it.

Mr. Swart: Do you not have to do it to some degree? You would know that certain types of businesses would be more likely to fail than others and that certain types of businesses would be more likely to fail in a given region or area than other types. I suppose you have to do it to some extent.

Mr. MacKinnon: You have to make informed business judgements on a case-by-case basis, but with no grand design. Mr. Mitchell, is there anything you care to add?

Mr. Mitchell: The only areas that come to mind were a government thrust rather than an ODC specific thrust. There was a textile program. Usually, they are relatively short-lived to assist a particular sector. We had a textile program and an auto parts program. That is the extent to which we get involved in specific types of applications.

Mr. Chairman: Will the committee agree, in the interests of the presentation, that we should hear it and list questioners? We might move along a little faster by doing that.

Mr. MacKinnon: These are the reasons we are reviewing our operations in a rather fundamental way and making significant changes. In specific terms, there are three classes of changes that we are making at the moment or will be making over the next few months. As I mentioned earlier, the first is that we are commencing with the new program, Innovation Ontario. We are also starting the new ventures loan guarantee program and we have a number of other major initiatives that I will review with you, one by one.

Innovation Ontario is a new program to make small-scale investments in startup businesses. The small-scale investments are for up to \$250,000. They are in the form of investments rather than loans with the object of avoiding debt burden during the early stages of the enterprise. As these investments are made, the common element of all of them is that they will be repayable, based on the success of the company, through royalty agreements or other such arrangements.

This is what we call pre-venture venture capital financing. That is the main difference from the Innovation Development for Employment Advancement Corp. that preceded us in this business. IDEA Corp. was in a stage of financing where private sector operators were providing the same service. The government felt that, given the well-developed private sector venture capital industry, what was needed was more concentration on the early stage of enterprise development so it could feed the venture capital industry with businesses and business ideas that were well enough developed to be financed privately.

What we are going to be doing is talking to people at or just after startup of a technology-intensive enterprise. The funding available for this program is such that we will need a very disciplined program. We will be making investments rather than loans so there will be a great many people who will not be successful in accessing the program. Our hope is that from it there will be a greatly enhanced flow of startup technology-intensive businesses. While this program is in some ways a major departure in terms of industrial development programs of Canadian governments, it is a program that greatly excites all who are associated with it.

If, in the various parts of the province, we are able to expand significantly the number of technology-intensive businesses that start up and survive the first two years, in a sense that will be the most important single thing we can do in terms of the gradual adjustment of the economy over time to industrial and technological change. It is going to be a difficult program to administer because it involves making some difficult decisions about which companies are likely to succeed, and it involves making those decisions at a very early stage in their life cycle when the information base to make them is least developed. If we are able to do it, we think it is the best possible way to make sure that more technology-intensive businesses develop and that the economy as a whole adapts to technological change. This is targeted specifically to new business startups.

14:30

The second major program we are developing is the second program that was announced in the budget. This program is at a very late stage. It is the new ventures program. It is also aimed only at startups but it is a very different program. It works through the chartered banks. It involves guarantees to a maximum of \$15,000 for people starting up new small businesses. The guarantees are provided if the person starting up the business can match the guarantee to the tune of \$15,000 as well. In most parts of Ontario, the guarantee is intended to last for a maximum of three years. Businesses in all sectors of industry are eligible.

The program is significantly different in northern and eastern Ontario for the reasons we discussed this morning. In the case of the north and the east, the person involved in the business has to match only half the amount of our guarantee. He could get a guarantee of \$15,000 provided he has \$7,500 to go along with it. Also in the north and east, the guarantee is provided for four years rather than three and for 25 per cent of the total volume of the program. I believe \$105 million in guarantees is targeted for northern and eastern Ontario. That proportion greatly exceeds their proportion of either provincial population or provincial economic structure.

This program is one in which we have had to deal with several conceptual issues. It is a startup program only. There is a very substantial matching requirement designed to make sure that it is a reasonably disciplined program. We are trying to achieve something by working through the banks and other financial institutions. We are trying to ensure that their ordinary commercial lending in non-metropolitan regions is buttressed to some degree by this program which allows them to lend under circumstances where they might not normally lend for risk categories which up to this point had traditionally been closed to them.

Therefore, we really have two objectives: not only to get more startups and get them through the early two-year period but also to try to make sure that the financial institutions are enabled to do more of the same by the existence of this program.

I will quickly go through the other major initiatives we are trying to accomplish one by one. If you look at the way the development corporations are organized, at present we have about 110 people employed full time in our lending operations. The approximately 50 remaining people are employed in our industrial parks program. Of the 110 people involved in lending operations, somewhere between two thirds and three quarters are in Toronto.

Over time, we hope to ensure that the development corporations follow the pattern of organization that all the banks and other financial institutions have found to be necessary, which is significant decentralization. Basically, they are run by branch managers who have some substantial and enhanced decision-making authority with respect to loans and other activities made by the corporation in those communities. It is clear this is a major objective of the government. We have to ensure that significantly more decision-making will be made outside Toronto by the corporations over time.

We will be making significant organizational changes to improve the way our programs are delivered. To digress for a moment, you may recall this morning I indicated we had a loan application branch. We actually have two--one for the south and one for the north. We also have a loan administration branch and a disbursement branch. In effect, we have a lending process that is divided into three segments and the customer frequently must deal with all three.

We are hoping to shift towards a system in which the customer will deal with only one lending officer from the moment he or she walks in the door to ask for a loan to the point the loan is discharged. That means we would be less involved in transferring the customer from one group to the other, there would be less paper involved in our internal systems in Toronto and the customer would find it significantly easier to get better service. He or she would be dealing with only the officer with whom he or she has routinely been in contact. We are going to be moving towards a one-point shopping system for our lending operations.

I have gone into this one in some detail before. We are going to be updating our computer systems, internal management information systems, methods by which we are linked with other financial institutions with which we must deal and methods of managing subsidiary clerical operations such as insurance and so forth. We are going to be making a major effort during the next two or three years to achieve contemporary commercial standards in all those areas. That by itself will necessitate major opportunities to upgrade the skills of staff and the development of products.

More than anything else--and for reasons that we talked about briefly this morning--what a financial institution of any size is able to do today is driven more by its internal technology than by any other factor. If you do not have good computer systems, if you cannot sell information as a product and if you cannot have turnaround times almost instantaneously and independent of paper, you are not competitive. The electron has replaced paper and I am afraid we have to make the appropriate adjustments to deal with it.

Another initiative now getting under way in quite a satisfactory way involves our industrial parks. As I mentioned this morning, we have two large industrial parks. They have something in the order of 2,200 people working in the businesses located in them, mainly in manufacturing. One of them is in an area that would not likely have that scale of investment were it not for the park, the Huron Industrial Park in Exeter. The other is in Cobourg and is quite an interesting piece of real estate.

Both these parks, the major parks, are old military bases that the corporation took over when the federal government abandoned them. In both cases, no one else wanted them at the time and they would have gone out of business had the corporation not taken them over. A measure of our success is that both have operated for many years, have upgraded themselves significantly, have made money and have done so without absorbing a nickel, I am told, of taxpayers' money over the years. It is quite a success story.

However, we have a sense that we are coasting. We are managing them reasonably successfully but we do not have a clear sense of what, other than survival, we are trying to achieve over the long haul. We think these assets are capable of supporting a more intensive and extensive use than they are. We are currently reviewing what that might be.

There are two directions in which we are excited about what we might be able to achieve down the road. One is, we think we may be able to develop incubator malls, small malls where start-up companies can locate while they are in the process of doing prototype development and very early commercial sales.

As for the other area we are interested in, it is clear we have demonstrated, given our track record, that we know how to manage parks well. We have in those parks some very valuable people with unusual and specialized skills. We have a sense that we can help others if we can find some way of making those skills available to municipalities and to others who may be involved in industry and who may be having problems with them, or facing opportunities that they do not fully know how to realize. We want to work with our strengths as well as our weaknesses. One of the major strengths we have is a demonstrated ability to manage those parks well and profitably.

In addition to the two major industrial parks, I mention in passing that the remaining part of the underdeveloped land in the Sheridan Park Research Community is owned by the corporation. We are examining ways in which we can utilize that land quickly so that we reinforce the purposes of the scientific park in Mississauga and also relate more closely as an agency to the Ontario Research Foundation, which is located in the park. We are conscious of the significant land holding we have there and we are trying to find ways to use it to maximum effect.

14:40

Further changes involve the roles of the boards of directors. This morning I mentioned how the boards actually make loans, but it is clear we should be using the boards more in a policy sense. There we come back to some of the issues you raised. Instead of having the board make 10 or 15 ad hoc loans to technology-intensive companies, what we have in mind is perhaps to ensure the board has a greater policy role in getting papers prepared on how we should lend, to whom and under what conditions, so that over time, rather than just reacting to the proposals coming before it, the board is able to build up a body of what I might call corporate jurisprudence on what the government wants to achieve and what the boards want us to achieve. The boards become more than the credit committees they now are.

The best way to describe our boards is to say they are really expanded credit committees of the corporations. What some of the board members themselves and certainly we as staff would like to do is to broaden their role to make sure they can fully consider other aspects of the boards' management. Additionally, it is clear that the deputy minister, the minister and the

government would like to use the boards to supervise more broadly the performance of management and the extent to which the corporations actually achieve what they set out to do. During the next year, we will be finding ways of doing that.

The present acting chairman of the ODC board and chairman of the NODC board is very interested in this, as are some of the other board members. Most of them have experience with boards that have a broader set of functions than we have.

We are also interested in making sure our various programs reinforce each other and do not just stand alone. Right now we are an investor, a lender, a real estate operator and a financial advisory operation all in one. We think there are ways in which those programs can interact with each other so that the whole is greater than the sum of the parts.

For example, if we make a small-scale investment in a company through Innovation Ontario, it may be possible to say we will also, if the company is of outstanding promise, let it locate in a small incubator mall in one of our industrial parks. If it graduates from both the mall and the Innovation Ontario investment, both very early stage support services, then perhaps at that point, if it is not of great interest to commercial lenders, we can perform our normal lending role in relation to the company and hand it over to the commercial lenders at the end of the process. We have a sense that these programs cannot be viewed as just stand-alone, separate product ranges, but that they should be managed in such a way that each reinforces the impact of the other.

This morning we touched briefly on the revenue side. One of the great hazards of a schedule 1 agency is that you focus very largely on the cost side of the equation. That is probably as it should be and is good as far as it goes. All the revenue that is generated goes right back into the consolidated revenue fund. The tendency is not to give it the same kind of attention because it does not show up in the books in the same kinds of ways. We would like to change that.

I mentioned a case this morning of the loans administration officer who, quite unexpectedly, recovered \$300,000. If we are able to worry about the revenue and perhaps spend more time ensuring we maximize the revenue, then I think we in turn can get greater leverage out of the dollars we have. It means that we, like any other business, would have to pay more attention to the revenue that is generated than we do to many of the other less important considerations on which we now focus.

It is also important, again for reasons that have been touched upon at various times during our discussion, that we develop a set of improved relations with the Ministry of Industry, Trade and Technology. At present, we are a ministerial agency, but we would like to be able to get more support in terms of policy analyses, the kinds of questions we would like to get our boards to think up. We would like to get policy papers prepared on regional problems. We would like to get a precision to our analysis of our operations that can only come from very strong analytical resources and from technically skilled analytical resources. There are substantial volumes of them within the Ministry of Industry, Trade and Technology. We would like to have better access to them and, we hope, not have to pay too much for it.

Finally, one thing we would like to do, in common with many other corporations, is make some significant internal cultural changes. If one reads

the current boom in management literature, it is clear that the corporations that are most successful these days are those that stay in very close touch with the customer, where there is significant decentralization of staff, where there are shared values and substantial staff participation in decision-making and a variety of other factors of that kind.

The corporation over the years has probably done better than most in those respects, but it is also clear that we can do better. In the final analysis, the degree of excellence with which we perform our function is dependent entirely upon the person who is dealing with the customer, and he or she will perform up to full standards only if he or she has a sense of participating broadly in the affairs of the corporation and some sense that the corporation is an operation that has strong values, a strong sense of excellence and lives those values every day. That is not the kind of change you make clinically; it comes almost by osmosis. But in many ways that is the difference between genuine distinction and just pedestrian achievement at this time.

That is really the agenda. It is a major agenda. Those are two programs that we hope to have fully operational successfully over the next few months, and over the next couple of years there will be a full-scale modernization in many areas of our operation, with the nine separate, discrete initiatives that I have described to you.

In conclusion, it is clear that the government wants a set of corporations that can help it target assistance to building startups, very actively promote regional development and diversification, place particular stress on technology-intensive businesses and lever private sector investments. All the changes and all the ideas I have mentioned are designed to achieve one or more of those objectives.

It is also clear that it is important that the Ontario government have a critical mass of commercial expertise available to help all departments run financially oriented programs. If each ministry is on its own in those areas, then the requisite degree of commercial sophistication in some cases will be lacking. There has to be a critical mass of commercial expertise, and it has to be fostered and developed.

Finally, there is a sense that the corporations, through their operations and their involvement in every sector of the Ontario economy and every corner of its geographical spread, can provide a very important window to the kinds of economic changes that are occurring, which are on a very fast track in some areas, in a way the government would never get without them. One area where we could say this window certainly exists is in the computer software business, where we are currently active. If we were not, the pace of change is just so fast that the government's understanding of what is going on in that industry would be significantly reduced.

That is all I have in terms of a formal presentation for today. Those are rough plans. They are fairly generally stated, but it is an agenda that, if we are successful, will significantly enhance our value to the shareholders and, I hope, to the many thousands of people who are our customers.

Mr. Chairman: Thank you very much, Mr. MacKinnon. We have some questions.

Mr. Leluk: I want to get back to an earlier question I asked. Please forgive me, I am not that familiar with this area. I asked you at what point loans and guarantees were forgiven. Is it at the time a company would declare bankruptcy? Do you people monitor the grant applications you provide various companies? Do you monitor them to see how the companies are doing? If they get into difficulty, do you try to assist them with advice and what have you before they go into receivership?

Mr. Mitchell: Most certainly, if we are there in time. We have a team within the loan administration branch that truly acts in a consulting capacity and devotes a great deal of time to working with a company attempting to work its way out of its difficulty. That is coupled with the fact that we may be able to encourage the other lenders that are involved to make some concessions. In some cases, they even put in additional funding, which sometimes requires us to subordinate our security position. We do things of that nature. If it is not a case of the company being absolutely dead in the water and there is some hope for it, we take what steps we deem necessary to try to keep it alive.

Mr. Leluk: Have you had situations in which a company fails, but before it declares bankruptcy, another owner comes into the picture? Could he apply for a further loan? Would it be granted? Have you had those kinds of situations? Or have you had situations in which a company goes bankrupt for whatever reason, poor management or what have you, and yet it is a viable industry for the area, and a new person comes and says, "I want to start up a similar type of business"? Would that be granted?

Mr. Mitchell: Yes. We have had a number of situations such as that. Where a company is in receivership and there is a new owner coming to the fore, we would consider financial assistance, depending on what he is bringing to the company.

Additional loans to companies on the verge of receivership are unlikely. In those cases, we would take a look at the loans we have to them currently, see what we can do to restructure them to ease the cash-flow burden and keep them alive in that regard. If it is a change-of-ownership situation and we have existing loans to the company, we would consider transferring them to the new owner, but we reserve the right to take a look at who the new management is. It is part of our package; we are not buying a pig in a poke relative to new management.

Mr. MacKinnon: I would like to make one supplementary comment that may be helpful. Our board devotes a great deal of attention to write-offs. Nothing is written off until the board considers it, which is a partial answer to your question. The board views write-offs seriously, and they are made only after full review by what is another committee of businessmen looking at them. They try to bring the same commercial judgement to write-offs as they do to the making of the loan in the first place.

Mr. Leluk: It takes me back to what I asked originally about your track record and whether you were satisfied that you were doing whatever was possible if you were to minimize your losses. When you are talking about \$22 million or whatever, it may be small in terms of the \$300 million invested, or whatever figure you mentioned earlier, but it is still a considerable amount. We are going to have companies go under; we understand that.

Mr. MacKinnon: If we went outside the three per cent to five per cent range we talked about this morning, if we wrote off less than three per

cent of the portfolio in a year, I would worry that we were straying into the commercial bank territory, which is not what we are interested in doing. If we were running over five per cent, we would be running risks with taxpayers' funds that I do not think the government intends to run.

We are never satisfied. Every single day we try to hit within that range, and there are days when it does not go at all well. Those percentages are percentages that you can only judge over significant periods of time. I think we are doing a creditable job, but the changes I have mentioned will allow us to do a much better job.

For example, better computer systems will allow us to spot problems faster. You can have automatic triggers in the computer systems, so if a problem develops, you can program the whole file on current loans outstanding, with a specific series of alarm signals. You can almost catch them; you can feed in the monthly statements, and if the red light goes off, you have a problem. You can do those jobs much better with advanced data processing.

Mr. D. W. Smith: I want to go back to the new ventures program and, agreed, it is new. How did you arrive at the \$15,000 guarantee? That means a venture would start up for approximately \$30,000, or a maximum of \$30,000, for you to guarantee half of it. Do you see real estate values coming down in businesses, or is this a figure that you or someone just pulled out of the air and felt was high enough to go to establish a new business? How did you arrive at that figure of \$15,000?

Mr. Mitchell: First, it was the Ministry of Industry, Trade, and Technology. It is their initiative, which is going to revert to the Ontario Development Corp. They had a small business branch that researched the typical size of a small business startup and the whys of the failure rates. They felt it was undercapitalized. Typically, \$15,000 in cash today is likely all the small entrepreneur will obtain until he has a track record, and I am thinking of the banks.

This gives him additional capital, in the hope of making sure he is capitalized properly. He has to go through a business plan process, which is another shortcoming of the small businessman. There is, under the new ventures program, interest only for the first year; so there is some relief relative to no principal payments in the first year of the guarantee.

This came on the heels of research, not only in Canada but also in the US, relative to the typical small business startup and the whys of the failure rates. Around that they built this program using the conventional lenders as the vehicle for administering it.

Mr. D. W. Smith: Does this \$15,000 guarantee mean that the \$30,000 all has to be capital or can some of that be inventory to run the business?

Mr. Mitchell: It could be working capital; it is not all in fixed assets by any stretch of the imagination. In fact, I suspect a good portion of it will be in operating capital.

I have a brochure that is hot off the press if the committee members are interested in eyeballing it. I only have one, so you may pass it around.

Mr. MacKinnon: I should say the program is at a late stage, not yet in operation.

Mr. Mitchell: No, it is a week or so away.

Mr. D. W. Smith: I realized it was new, but I wondered how you arrived at the figures and estimates.

Mr. Lane: There are a number of things I would like to touch on. On the one we were discussing this morning, you satisfied me with the answer, inasmuch as you used the example of how the bank looked after the million-dollar loan. It could be entered into the program so that the guy was not borrowing more money than he needed at any given time, but there was some way to make it all one loan and all one rate of interest at the going rate.

15:00

We have to find some way to roll the various pieces of the loan he acquired over the years into one package; otherwise, it just does not make any sense. If I had a mortgage with somebody else on my business, it would all be one mortgage. I would make one payment and that would be it, and it would be at one rate of interest. You were saying that yourself.

Mr. MacKinnon: We currently are busy looking at the computer systems that would enable us to do that, and I will put that specific requirement into them. It is a good suggestion. I am happy to pursue it.

Mr. Lane: I just wanted to have some satisfaction that this is going to be looked at. It is one of the major problems we are facing out there, with the people of northern Ontario in any case.

The other thing I am concerned about is that you make sizeable loans to people who have not had experience in the business they are going to go into, and I feel that some management should follow the money. In other words, he is acceptable as an applicant, but he probably cannot run the business. Once he has the money, he is out of your hands until he gets into trouble, when it may be a little too late to save him.

I happen to know about one--no names will be mentioned--where a guy got a loan to build a tourist motel and restaurant. He was located somewhat off the beaten path and he had a ship-to-shore telephone service into his establishment. He went ahead and built the damn motel. When it was ready to open, he had not yet approached Bell Canada to put any service in for him. For the first year, you were not able to get a reservation. He is in receivership now.

Those are the kinds of things you or I would have spotted right away, which this guy had apparently not thought about until he wanted to fill up his guest list of who was going to come. That is a pretty glaring example of somebody not looking at a situation. I am sure there are many times when a business could be saved if the money were loaned and there were some kind of regular check on how well he was managing in order to catch him before he got into trouble.

Mr. MacKinnon: That is one of the reasons we want to move to that one-window approach with the customer. Every time he gets shifted from one group in our operation to another, a lot of knowledge about his business is lost, and with that, your chances of spotting problems and your ability to advise him are significantly reduced. One of the main reasons we want to move to that method of dealing is to ensure that this kind of management is consistently brought to bear on each case.

Mr. Lane: Another thing I have been interested in for some time--you touched on it today and you might enlarge on it--is the service industry. Up until now, in northern Ontario anyway, it has basically been manufacturing or tourism. In many cases, the service industry could provide a great many jobs, but it cannot expand unless it has some source of finance. I know we have been looking at that over the last three or four years and I have a feeling we are getting closer to getting the service industry involved. Is that right?

Mr. MacKinnon: Yes, we are. Now the issue is generally recognized. We would particularly like to see the growth of business-related services in northern Ontario. I would love to see some applications from computer software in the Sault or in Sudbury. Both communities are of the size such that you would expect some to develop; so far they have not. It is going to be important to dig those kinds of projects out if we can at all.

Mr. Lane: There are probably a number of service industries that would never be eligible, and maybe should not be, but the service industry covers a fairly large portion of the day-to-day operations in any part of the province, especially in the north, where we have to depend on service people to look after our needs. Some of them cannot do it because they cannot expand fast enough without spreading themselves thin.

I am not as concerned about losses as are some people on the committee and others to whom I have spoken. If you are the lender of last resort, so to speak, if you are not having a number of losses, you are not spreading yourself thin enough; in other words, you are not offering your services to enough people to keep up with the opportunity to develop various areas of the province.

Even those agencies that want gilt-edged certificates--you have to prove you do not need the money before you can get it--have losses, and I think you are bound to have more. I do not think we should be unduly disturbed about that except, as you pointed out, we have to keep them in line percentagewise. If you had no losses at all, I would personally feel you were not doing a very good job. Let me put it that way.

The other thing I am pleased but also concerned about, which Mr. Smith raised a few moments ago, is that the maximum is \$15,000 for this new ventures program. It is a great step forward, and I certainly appreciate it being there, but when we look at dollars today, \$15,000 would not buy me a new car, let alone a new business. I think it is too limited.

Maybe there are a number of businesses that could be started for \$30,000, but when you think of inventory, the cost of operating and so forth all wrapped up in one for \$30,000, you are not going to resolve the unemployment picture very quickly, nor is it going to make anybody rich. I understand it is not for that purpose; it is a new initiative, a new step, and I think it is good. I wish it were not quite so limited.

Mr. MacKinnon: It will not replace our other lending operations. I guess that is the short answer to that. If it does not fit into that program by virtue of its scale, we would look at it in relation to regular lending activities. It has quite a specific purpose: to start up.

Mr. Lane: You are saying that if an applicant were eligible for this and got going, he could likely make an application for a loan to expand his business through the regular source. That is useful to know. I think you realize that for \$30,000, you cannot start and pay the bill for a very big operation in today's world.

Mr. MacKinnon: No, but it does conform with the statistical data. Provided you do not look at it as the sole armoury, and you can follow along with the regular lending if the initial startup goes well, I think it is a major step forward.

There are some dangers in making such a startup program too rich. The management skills you are seeking from a startup demand skill in the utilization of financial resources as well as other skills. If you made the startup too rich too routinely, you might run into other problems.

Mr. Lane: The management is not nearly as urgent there, because he is managing a small business as opposed to someone who is going to build a \$1-million motel. As I mentioned a while ago, one man did not have telephone service to the motel after he got it built. The management there was a lot more important than the management of a \$15,000 new venture.

Mr. Mitchell: I would say the smaller businessman has to be more of a generalist than the manager of a larger business who can hire the expertise in-house to manage the financial affairs, the market and that type of thing. Our experience is that we have to do a lot more hand-holding with the smaller borrower. In hours spent, it takes longer to process a \$50,000 loan than it does a \$500,000 loan.

Mr. MacKinnon: If you start up a business successfully with limited financial resources and do not run into serious problems in your personal life and everything, the demands on your management skills are every bit as important as managing a subsidiary of General Motors.

15:10

Mr. Lane: I guess I am looking at the taxpayers' dollars. If you are lending \$500,000 to a guy to build a motel as opposed to \$15,000 guaranteed to a fellow starting out as venture capital, your risk is a lot greater. You should have the management there to avoid that kind of investment. However, having raised all those points, we got at least some sympathy from you fellows that they are important points.

I would like to say that I think the Ontario Development Corp. and the Northern Ontario Development Corp. really hold the future of the development of this province in their hands. I wish you well; certainly any help that can be provided from people like myself, I would be pleased to offer. You have the potential of making or breaking this province, and it is the only tool we have had consistently that we can rely on in northern Ontario. We have had some northern Ontario regional development programs and so forth, which are excellent, but they are not always there.

Mr. McKessock: Mr. MacKinnon, you said you were the new man on the block or something. I am just trying to get these positions figured out. Who was in your position prior to your taking over?

Mr. MacKinnon: There was an acting chief executive officer, James Joyce. He had been there as acting chief executive officer for three months. Prior to that, the chief executive officer was a Andrew Croll. While he was acting as chief executive officer, Mr. Joyce was also chairman of the board.

Mr. McKessock: He was chairman of the board for a number of years. Chairman of the board as well as something else or just in the last three months?

Mr. MacKinnon: Just in the last three months. He was chairman of the board and acting chief executive officer up until March.

Mr. McKessock: I think you have done a good job of making the presentation here today, both you fellows, and we appreciate it.

One thing I am interested in is your major initiatives and the first item there where you talk about greater decision-making outside Toronto. I come from rural Ontario, the Owen Sound and Meaford area; the ODC office we are supposed to use is in Kitchener, which is a long way away from where we are. It is actually easier and shorter to go to Toronto. There are offices of the Ministry of Industry, Trade and Technology office and the Ministry of Tourism and Recreation in Owen Sound. I think it would be fitting to have ODC working out of the office where the Ministry of Industry, Trade and Technology is located.

You talk about decentralizing and about loans being approved by your staff up to at least \$50,000. If even only those type of loans could be approved in those outside areas, if the loans were greater than that, they would be there to act for you immediately. The problem right now is that if you send for a field man to come and look into an expanding or new business, it takes two weeks to get there, maybe more. Then they call back to me and say, "He has not showed up." I get in touch with him again and then it is long distance calls to get back to them. It is just a really slow process.

Mr. MacKinnon: I can respond to that. The process as it is currently structured is as efficient as a paper process can be. The problem is that the game has changed. We have to modernize our internal operations and our technology to reduce turnaround time.

Ten years ago, if you went to a bank, it might have been acceptable to get a loan in two weeks, but today they say and in many cases insist on 72-hour turnaround times. When commercial standards are changing as fast as that and are becoming as demanding as that, we have to achieve roughly comparable standards or be seen to be almost irrelevant.

This is not a criticism of anything. I think our present system is the final refinement of an old, paper-based system. But the world is not into paper-based systems any more because of the demands for service. If we are going to provide the service you want, we are going to have to do it with fundamentally different technologies and systems.

Mr. McKessock: We are talking about decentralizing industry and moving it into rural Ontario. Unless we have assistance such as from the Ontario Development Corp., it is going to be harder to move it into those areas. If all the facilities are in the large cities, that is where industry wants to congregate, even though we keep saying we want it to move into rural areas and we do not want everybody moving to the big cities. Our people have to keep moving if there are no jobs for them at home.

Mr. MacKinnon: We are opening two new offices in the coming months, one in Sault Ste. Marie and one in Kenora.

Mr. McKessock: That is a long way north.

Mr. MacKinnon: I realize it is a long way from you. The reason the government has assigned priority to them is that Kenora clearly has a serious problem because Thunder Bay is only 350 miles away. The current issues

connected with the Sault's development mean we have to be much more aggressive in lending. Next year and in following years we will be actively looking at further opportunities to decentralize.

Mr. McKessock: There is another caution. You mentioned computers and how they would assist you by flashing red lights when you pump in the monthly statements and so forth. My constituents have had a bit of a bad experience dealing with Federal Business Development Bank loans, and it must have been using that system. A red light flashes and they come out and try to load on everything the guy has and get him out of business.

Computers are very cold. There seems to be no human aspect about the way some of these businesses have been closed down or the way an attempt has been made to close them down. They do not always close down. They try, and they should not have tried in the first place. That is where it has been done by a flashing red light rather than having a proper investigation to see what the problem is and whether it can be straightened out. That is just a caution. Computers and flashing red lights are pretty cold.

Mr. Swart: I have a question. I would like to go into further depth about the monitoring and advising you do once a loan has been made. You mentioned red lights flashing, but I presume a lot of these small businesses do not have high-technology equipment that you can plug into, even if you have it. Are you satisfied that you have sufficient staff to monitor and advise as you go along from the time a loan is made?

I ask that question because of my involvement as critic for the Ministry of Agriculture and Food. We found that Ontario had one and a half inspectors, I think it was, for the 250 elevators. They were supposed to keep on top of the financial situation. Has the restraint program caused you to fall short? I ask you this question frankly: Do you have adequate staff to monitor and advise once a loan is made?

Mr. MacKinnon: I believe we do overall, but I believe our pattern of internal organization is not as efficient as it should be in encouraging that objective. In other words, I feel there is a fundamental flaw, and that is the separation of loan administration from loan applications. As long as there is that basic split, you are losing some knowledge when a customer is passed from one group to the other, and it is an irretrievable loss.

Mr. Swart: If that problem is corrected as you propose, you would not expect any surprises after loans have been made such as not being able to keep in contact and all of a sudden you find they are in a position where they are past the point of no return. I assume you have a lot of expertise in that area that is available for people who take a loan, especially those in small businesses who do not have the expertise and sometimes even the management they should have.

15:20

Mr. MacKinnon: We have a lot of the expertise, and we have a lot of people who have a very strong dedication to achieving that objective. Our loan administration branch has some very unique strengths in that respect.

The issues I am raising in terms of organization and systems and so forth are not connected with the performance or the inclination of people. There is a lot of dedication and a long and established track record. We have been the first lender to many household names in high-technology industries in

Ontario. We have a track record that demonstrates considerable skills, not only in making the loans but also in making sure they are managed so the businesses develop into something big and profitable.

However, time stands still for no one. I have a sense that the changes in the external world have overwhelmed us in terms of how we are organized internally to do that job and the technology that is available to the people in the trenches to do it as efficiently as possible. To be quite candid, I think considerable improvements are possible there. When we make them, the people who are doing those jobs will be able to spend their time in ways that will help the customer rather than serving a paper machine.

Mr. Swart: You do not think then that any substantial proportion of that three per cent of failures could have been prevented if there had been somebody from your staff monitoring and advising them more closely?

Mr. MacKinnon: I doubt it. Those are really last-resort cases. I should say too that there is a much larger proportion of the portfolio--that is, only those we actually write off--where we have systems to keep track of percentages that are at risk in other ways. For example, we look at the percentage in arrears, which is much higher than three per cent. Any time somebody is in arrears, that sends up the flags, and we do have people look at it. We are quite slow to precipitate anything final with respect to the business.

Mr. Mitchell may have some comments, but I think I can assure you that very little of that three per cent is avoidable.

Mr. Sheppard: This new venture capital program sounds great. What percentage of the loans and grants that have been given out in the past few years have failed? Do you have any idea?

Mr. MacKinnon: In terms of the numbers of transactions as opposed to the dollar volumes?

Mr. Sheppard: Yes.

Mr. MacKinnon: I do not have that off the top of my head. I do not know.

Mr. Sheppard: Now that it is down to \$15,000, if an entrepreneur wanted to start up, got \$15,000 and six months later wanted to expand again, would the new venture capital program be willing to negotiate with him again?

Mr. Mitchell: He gets one kick at the can.

Mr. MacKinnon: With that program. We have two objectives that bear on what we can do in the future. He will by that time have a relationship with his banker, which he might not have had he not got the guarantee, which works through the bank. Our first hope is that the banker will lend money to him at that point on the basis of the relationship that he has had and on the basis of what the banker has been able to see of how he has conducted his business. If that did not prove possible, then we would look at him in the same way as we would look at any other business with reference to our other programs.

Mr. Sheppard: Some of these bankers are not the easiest people in the world to get along with. I know a man in my riding whose business has gone under in the past month. He was supposed to be paid in 15 days, but he has not

been paid for about 45 days. When a cheque comes into the bank, the bank seizes it and the company cannot pay the payroll. It is very discouraging to anybody who has just gone into business, and it does not help the atmosphere around the community.

With this new ventures program, how soon can you do all the paperwork? You were mentioning paperwork a few minutes ago. With the computer system you have, I presume that this is all on computer and that it would hurry up the process.

Mr. MacKinnon: Let me answer that question. In this case, the computer system that would be relevant to the guarantee would be the bank's computer system. They will be making the loan, and then we would have a system in place after the loan is made to put the guarantee into effect. I can assure you, based on personal experience, their computer systems are very good.

Mr. Sheppard: What about your own computer system?

Mr. MacKinnon: It needs work.

Mr. Sheppard: Do you not have one?

Mr. MacKinnon: It needs further work.

Mr. Sheppard: I am surprised that you would say it needs further work. As a part of the government, I would think you would have the best computer system in the world, especially in Ontario.

You were mentioning Cobourg park a few minutes ago, and I do not know whether I misread you. Did you mention a mall in some of these? You mentioned two industrial parks--and I am concerned about the one in Cobourg--and starting up a mall in some of these industrial parks.

Mr. MacKinnon: It is what we call an incubator mall, sir. We would take a conventional building of the type we have in new parks now. We would divide it into maybe 10 very small areas, each suitable for a small manufacturing firm to be located. Perhaps there is a terminological inexactitude there, but what we are talking about is an industrial park mall as opposed to a shopping mall or anything of that type.

Mr. Sheppard: I am from eastern Ontario and there does not seem to be enough money coming into eastern Ontario. The minister lives in eastern Ontario, and I am hoping he will convince the government it should be a little easier on some of the new industries that want to come to eastern Ontario. Seeing that the loan could be cut in two for eastern and northern Ontario, is there any incentive or carrot that will be dangled in front of any of the industries that are interested in moving to eastern Ontario?

Mr. Mitchell: From my vantage point--and my focus is primarily central and southwestern Ontario--there is a lot more activity in what we call incentive term loans in eastern Ontario than there is in central and southwestern Ontario. There was an eastern Ontario subsidiary agreement, a joint federal-provincial program, that was sunsetted. Certainly, there has been a lot of activity in eastern Ontario of late.

Mr. Sheppard: But not enough. We would rather have more in eastern Ontario.

Mr. MacKinnon: Some very good projects have come up in the past three or four months. Our Eastern Ontario Development Corp. agendas are looking pretty good. It takes a long time before you see the benefits of that. As those numbers show, our lending patterns in eastern Ontario seem to be developing reasonably well--as you say not well enough--and it does take a long time for the impact to show. One comment I should make is that we do not ever provide any funding for relocations within Ontario. If somebody wants to move to eastern Ontario from Toronto, we never ever provide funding for internal, within-province relocations.

Mr. Sheppard: If a company from Metropolitan Toronto, Burlington or Mississauga which has already received a grant moves to eastern Ontario, is it eligible for another grant?

Mr. Chairman: Nobody ever moves from Mississauga, Howard.

Mr. MacKinnon: We make no grants. If somebody moved who had a loan and there was a genuine business reason for the move, we could finance an expansion that did not derive directly from the move. John, you can correct me if I am saying anything wrong here, because this is a tricky area.

If there was an expansion that was not directly related to the move and that did not involve any of the costs associated with the move, and if there was a valid business reason for making the move, then I think we would look at them in relation to a loan, but we make no grants, ever. The matter of relocations from one municipality to another is something for which, as a general government policy, there is no support.

15:30

Mr. Mitchell: It is a very sensitive issue. For example, if they were moving from Cambridge to Belleville, had an incentive loan in Cambridge and decided they were going to move and the benefit was in the Cambridge area, we would probably eliminate the incentive and make it a repayable loan. Alternatively, if we demanded repayment of it, we could jeopardize the entire company. That would be the option; we would take away the incentive.

Mrs. Marland: Mr. MacKinnon, you were talking about Sheridan Park. I have lived in the area for 30 years. I remember it starting to develop and I am very impressed with what we have there. However, when you said you are looking for some different kinds of uses to come in there, it seems to me as though--and I may be wrong--there has not been anything substantial within the last 12 to 14 years. I am guessing.

It is a prime location in terms of the Golden Horseshoe and providing the labour force of Metropolitan Toronto. You said you are looking for some special kinds of uses, perhaps in conjunction with the National Research Council. Can you tell us what kinds of things you are looking for in the future for the Sheridan Park area? If I know about them, perhaps I can start directing some towards you.

Mr. MacKinnon: The specifics are, first, we own 16 acres. Again, John, if my understanding of the history needs clarification, please jump in. The early stages of Sheridan Park's development were largely guided by the Ontario Development Corp. Over time, as the land was sold, we owned less and less of it. Today I believe our holding is 16 acres. It concerns us that it is 16 acres in Mississauga on which we are doing little more than cutting the grass and shovelling the snow. It worries us.

Mrs. Marland: Are you paying municipal taxes?

Mr. MacKinnon: We pay grants in lieu of taxes. I think we are in good standing with the community in that respect. We are concerned about 16 acres that are a very valuable developmental asset in a very valuable location. We would like to find a way to use it that is consistent with the rest of the park and how it operates.

One of the ideas we have for it is the same as we have for the other two parks. A small incubator mall may be one way of doing it, and that may be helpful to some of the other scientific organizations in the park, because it helps with the commercialization of research that is developed within the park. That is one idea.

It is clear that if we were to do anything much different from that, we would have to go back to the purposes of the Sheridan Park Association and the master agreement that underlies it, which we do not intend to do at this point. If we got down the road and could not find any usage that made sense, that we could not pursue without opening the master agreement and looking at it, over time we would probably come back to the association with some ideas on how that could be done as well.

What I really intended to signal is a concern of the relevant officials within the corporation of having 16 acres in that location that for some considerable time have not been developed.

Mrs. Marland: And worth about \$200,000 or \$300,000 an acre on the market.

Mr. MacKinnon: Were it is sold without the covenants attached to the agreement, that would be true; but with the covenants attached to the agreement, the actual commercial value as the land exists now is about one third of that.

Mr. Chairman: Microphone, Mrs. Marland.

Mrs. Marland: I am finished actually. I will give you the coils later.

Mr. Chairman: Does the committee have any objection to the chairman asking questions?

Mrs. Marland: It depends.

Mr. Chairman: I do not quite understand the lengths of the loans you make. Do they vary? If so, what would be the average length of a loan?

Mr. Mitchell: Currently, about 80 per cent of the loans are processed from application stage in 10 weeks or less. When I say "processed," that is approval.

Mr. Chairman: I meant for what term would they last?

Mr. Mitchell: The term of the loan would be about seven years on average, between six and seven years.

Mr. Chairman: In your annual report, you show loans receivable. I imagine that is the aggregate total of loans outstanding. Is that so?

Mr. MacKinnon: Yes.

Mr. Chairman: In 1984, you show approximately \$290 million and in 1985, \$318 million. That is the total of outstanding loans due to you.

On the previous page, you show loans written off and guarantees honoured: in 1984, \$10.9 million and in 1985, \$12.6 million. Somebody said earlier that you look at a loss ratio of somewhere between three and five per cent as being expected. It seems to me you are using a little bit of imaginative accounting here in comparing the losses in one year to the aggregate total of loans outstanding.

I am not an accountant, but it seems to me if a bank were doing it, it would tabulate its losses in one year against the loans made in one year. If a loan were given in 1985 and defaulted in 1987, it would show as a loss against 1985. I do not think you can have it both ways. You cannot show a loss in one year as a percentage of your overall loans. Any accountant who can do that can probably come up with the right figure for the real loss ratio per year.

If you say the loans run about seven years, I guess we could do one of two things. We could multiple your three to five per cent by seven and say that is your real loss ratio. Am I correct or close?

Mr. MacKinnon: You are close in a way. The 3.11 per cent I quoted this morning is 3.11 per cent per year. Given that the average term of the loan is seven years, you are talking about a loss ratio that, if you measure it just in terms of the number of losses--we will get the figure because one of the questions I forgot you asked was for the losses expressed as the number of borrowers who go under relative to the number of borrowers who go all the way through the piece and pay off their loans. We will get that figure, but that would be significantly higher than 3.11 per cent for exactly the reasons you mention.

Mr. Chairman: Is my stab at 30 to 35 per cent close?

Mr. MacKinnon: That is high, I think.

Mr. Chairman: Would you grant me 25 to 35 per cent?

Mr. MacKinnon: I might grant you 25 per cent.

Mr. Chairman: In actual fact, opposed to your three to five per cent loss ratio, the loss ratio on loans is probably around 25 per cent?

Mr. MacKinnon: Over the full lifetime of the loans and expressed in terms of the number of borrowers, as in the total number of borrowers who go under opposed to the number who go all the way through the piece and pay off their loans, yes. You would be talking about figures that could be up that high.

Mr. Chairman: Would it be applicable too if we talked in terms of the amount of money instead of the number of borrowers?

Mr. MacKinnon: I doubt it. You would be looking at significantly lower percentages in relation to the dollars at stake because of the way the portfolio is skewed, but I would have to check that number before giving you a definite answer.

Mr. Chairman: That could be a flexible figure because if you had one big loss, it would affect your ratio. If you had a small loss, it would affect your ratio the other way.

Mr. MacKinnon: Yes. That is right.

Mr. Chairman: Could those figures be made available to the committee?

Mr. MacKinnon: They certainly could.

Mr. Chairman: I would like to see it in terms of what the percentage of losses are on loans issued in any given year, or it might be a series of years.

Mr. MacKinnon: We might have to go back. To get a precise answer to that, we would have to go back several years and trace a parcel of loans through the period of several years. We will find a way of getting that information.

Mr. Chairman: Okay. Assuming that, which jacks up the percentage of losses substantially, should one of the new initiatives not be to find a way of making the loss a little less severe? I can accept the fact that anywhere from five per cent to 10 per cent is a darned good investment for the number of survivors, but when you get to a loss ratio on those loans of 25 per cent, or perhaps even higher, I do not think any bank would accept that.

Mr. MacKinnon: I can speak with some knowledge of banking operations. I use 3.11 and the dollar value of the loan portfolio written off per year because that is the commercial standard in widespread use, the write-off per year. If you were to apply your logic to a commercial bank, you would get the same result; you would get a very high proportion--a much higher proportion--of losses.

Indeed, those losses are one of the reasons we are in existence. The pressure is on the banking system now because of losses in Third World countries, but even more serious are losses in energy and real estate on the entire western side of the continent. One of the reasons we are having trouble in nonmetropolitan areas here and the banks are having trouble sustaining their services in other areas is that the pressures are on because of very high losses. In that sense, I guess we would not be unique.

Mr. Chairman: Would it not be true that the board of directors of a bank would probably prefer your type of accounting when it has to answer to the shareholders, which you too have to do to the citizens of Ontario?

Mr. MacKinnon: They have a very cosy deal, if I may say. When a Canadian chartered bank reports its losses in its income statement, it never reports the losses for that year; it reports on the basis of a five-year moving average. In periods of downtime, losses are always understated, and significantly so. In periods of uptime, they are always overstated, which is designed to enhance the stability of the system and the public reporting. In actual fact, if the Canadian chartered banks in 1982 had reported actual loan losses--I may stand to be corrected on that--several of them would be perilously close to the break-even point.

That is one of the reasons some people in this kind of business tend to get critical of the banks. I think the banks are driven by real economics. It is hard to argue with the facts as they stand now when they have very serious pressures on their lending portfolios. We do too.

To account for its losses, every year the commercial bank makes a reservation against the losses it expects and deducts that from income. As a result of our system as part of the government, we do not do that. Because of our cash system of accounting, the Treasury reimburses us in full for all the write-offs. We do not have in our statement a provision for loan losses because we are reimbursed in full. I believe I am explaining this accurately.

One of the things that over time we might want to think about and might suggest to the government is that our system of considering the loss question be changed to something more closely corresponding to commercial practice in that respect. If we do that; if we were compelled or asked or required to establish a provision and manage that provision in the same way as a commercial bank, with the same accounting techniques, we might be able to manage the problem much more effectively. I do not know. With the information and the requirement, there is certainly the chance we would be able to manage it better and more effectively, or better than with the straight cash system that is in uniform use across the government now.

I am not sure whether I am making myself clear. What I am really saying is that the cash-in, cash-out system of government accounting is not as effective for running our kind of business as a normal accrual system would be.

Mr. Chairman: In effect, you say you do not take any losses at all because it is recoverable from the Treasury, but the Treasury has only one source of income, and that is the taxpayer. I am interested in the initial source of income, which is the taxpayer.

At first blush, I look at this and see we are taking some awfully big losses. I do not think too many financial organizations, or any organization, could stand a 25 per cent loss per year. That is what we are getting. I am not saying it is not worth the risk for the good it is doing, but I think it should be known. What I would appreciate, and I do not know whether the committee shares my view, is some kind of statement from you that demonstrates precisely what I asked about, namely, what is the percentage of losses on loans on a yearly basis?

In other words, the losses in 1985 might reflect a loan that was made in 1982; I do not know. It would give us a better picture for two reasons. First, we would see what the true loss is; second, we would see what the trend is. If there is definitely a trend towards increasing those losses, perhaps we are not handling it right. That is what I am driving at.

Mr. MacKinnon: We will provide that information. I agree that the trend of losses is something that merits the closest examination.

Mr. Chairman: Have you ever had any statement from the Provincial Auditor? I imagine you are audited by him. What is his view of your type of accounting the way you show it?

Mr. MacKinnon: The Provincial Auditor examines the audits in relation to standard government practices, which we follow. I do not know whether he has expressed a view on our accounting methods. Has he, Bill?

Mr. Copfer: No. It is just straight government accounting.

Mr. Chairman: Do you mean the whole government runs that way?

Mr. MacKinnon: Cash in, cash out. Yes.

Mr. Chairman: That is why we have a big deficit, I guess.

Mr. MacKinnon: It has several effects, but for a business like ours, you cannot manage the business just cash in, cash out; you have to manage it over a period of years. This means you should have accrual accounting, which means you should have the full commercial accounting tools, including probably a provision for bad loan losses such that if you exceed it, you get into trouble, and if you get under it, you look good.

In that sense, I completely concur with what I take to be one of the thrusts of your question, which is that the cash method of accounting, particularly as it relates to loan losses but also as it relates to other operations of the corporation, is not perfect for running this kind of business. It certainly is not.

Mr. Chairman: I guess I am being oversimplistic here. I look at my own experience and say that if I made an investment of \$10,000 in 1984 and another investment of \$10,000 in another company in 1985, and if in 1986 the first investment went flat and I got nothing out of it, I would not be inclined to say that I had lost only \$10,000 of my total \$20,000 investment; I would say I had lost the whole damn thing that I had invested in 1984. That is a 100 per cent loss. In effect, you are saying I really suffered only a 50 per cent loss on that investment.

Mr. MacKinnon: I would say something more than that in relation to our case. I would say that in our lending operations we have a high loss ratio, but in terms of conventional methods it is three or four times what a commercial bank would have. This may be acceptable in terms of the dollars in the portfolio for a year.

If I can just find the way to get some precise wording in here, I would also say the corporation generates a cash surplus to the government each year. It does so by interest income. It must be offset against losses; so must income generated on industrial park operations and so forth.

My next step in the logic would be to say that as a corporation, yes, we are taking substantial hits in our lending operations, but because we are fairly efficient at recoveries--even after a company goes into receivership we quite often get recoveries, and some are substantial recoveries; we can even get recoveries long after something is written off--because of our interest income and because of our income generated from industrial parks, we are more than covering, on a cash basis, the cash effects of our losses, so that every year we do generate a cash surplus.

Mr. Chairman: Okay. I will not belabour that any more. I am just interested in seeing what the actual figures are. I would be very interested to see where we--

Mr. MacKinnon: We will certainly generate them, sir.

Mr. Swart: We can have the trend over this year and last year, but if we can get it for the period of--

Mr. Chairman: I would like to go back several years and get the trend, because that is very important. If we find that the losses are growing percentage-wise every year, then maybe it means something has to be tightened up in your method of selection or whatever.

Mr. Swart: I will ask a supplementary to that. You may know offhand. Were the losses higher during the recession years than they were prior to that?

Mr. Mitchell: There is no question that the early 1980s were very severe times. We went through a period when the banks were being particularly precipitous. We were called on to bail out, which is not our mandate. We did some of that. That often has even greater risks than the normal, run-of-the-mill type of situation we are called on to finance. That was coupled with the fact that to keep the bank in, we would often have to subordinate a security position from that originally approved to keep a company alive. That again tracks directly on losses. We are talking about losses after a liquidation. If we subordinate our security, we are becoming more and more at risk. Therefore, it was a very tenuous time.

As for the actual loss rates, they were certainly higher. That was our experience relative to that period. Also, I suggest certain programs may have higher loss rates. I am thinking of high technology. We had a high-tech program, and this was high-risk money. It was repayable, but it was recognized as being high-risk at the time. We would anticipate higher losses in a program of that nature, as opposed to the bricks and mortar and the widget-making machinery.

Mr. Chairman: I think we are rapidly approaching a closing.

Mr. Lane: I have one question before we close.

Does the act as it stands allow you room to expand and to do the things you want, or is there some requirement for changes in the act itself? I think it is important for this committee to know that.

Mr. MacKinnon: As I understand it, the act gives us the room to do the things I listed in the presentation. We do not feel constrained by the act at this point. In fact, we have been able to start up the new Innovation Ontario Corp. with only a regulation change, which allowed us to get going more quickly than normal. From the point of view of flexibility, the act is an admirable one. I think that is the general consensus of it.

Mr. Lane: The reason I asked is that when I was trying to help a guy save his business, which I was not successful in doing because I could not wrap all the loans into one and get an acceptable mortgage rate, I was told at that time by the person I was dealing with that the act would not allow it. If the act cannot do that, then it cannot resolve the problem I put on the table today, if that was the correct answer I got at the time.

Mr. MacKinnon: We will check into that.

Mr. Lane: The result was that the guy did go down the drain.

Mr. Chairman: Mr. MacKinnon and Mr. Mitchell, I would like to thank you very much for coming today, as well as Mr. Copfer and Mr. Goodyear. It has been very interesting. If you are able to put together that information, perhaps when the House resumes, which will be some time after the middle of October, we could invite you back for half a day to talk about that aspect. Would that be convenient for you?

Mr. MacKinnon: We are at your service as required.

Mr. Chairman: It might be interesting. I would like clarification on a couple of things. If you will agree to do that, we will be happy.

The committee adjourned at 3:55 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO LAND CORP.

THURSDAY, SEPTEMBER 11, 1986

Morning Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

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Callahan, R. V. (Brampton L) for Mr. South

Davis, W. C. (Scarborough Centre PC) for Mr. Rowe

Grande, T. (Oakwood NDP) for Mr. Hayes

Clerk: Arnott, D.

Staff:

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Curling, Hon. A., Minister of Housing (Scarborough North L)

Cornell, W., Deputy Minister

From the Ontario Land Corp.:

Riggs, R. W., Vice-Chairman and Chief Executive Officer

Paradis, J. C., Director

Beattie, A. C., Director, Planning and Development Branch

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, September 11, 1986

The committee met at 10:07 a.m. in room 230.

AGENCY REVIEW
(continued)

ONTARIO LAND CORP.

The Vice-Chairman: We are favoured today to have with us the Minister of Housing (Mr. Curling), the deputy minister, and the vice-chairman and chief executive officer of the Ontario Land Corp., which we are going to review today. Normally, we are not privileged to have the minister with us, so I will ask him to make a few remarks.

Hon. Mr. Curling: Thank you. As I gather experience in the process of going to different committees and meeting many of my colleagues who are so charming and receptive, I am very pleased to be here to address the standing committee on government agencies whose purpose is to review the operation of the Ontario Land Corp.

I thought I would make a few comments by way of background. The Ontario Land Corp. was formed in 1974 to manage and develop residential, commercial and industrial land owned by the province. Its subsidiary, the Ontario Mortgage Corp., acts as the lending arm of the Ministry of Housing and administers mortgages under several provincial housing programs.

When this government took office, one of its first initiatives was to review the activities of provincial corporations including the Ontario Land Corp. and the Ontario Mortgage Corp.

Earlier this year, cabinet directed the Ontario Land Corp. to make two fundamental policy changes:

First, to accelerate the sale of its land to other agencies and the general public in a manner that will promote the creation of housing, industrial development and employment, which are key provincial objectives.

Second, it was instructed to sell off its portfolio of first mortgages over a two-year period.

In addition, cabinet directed the Ontario Land Corp. to wind down its operations by March 31, 1987, and transfer its lands to the Ministry of Government Services or to other ministries to meet their program priorities.

Members of the committee have received copies of the OLC corporate plan, which outlines the accelerated sales program. Previously, the plan was to dispose of the lands within a 10- to 15-year period. Now the goal is to dispose of the majority of lands within the next five years.

Currently, the Ontario Land Corp. holds approximately 63,000 acres, or 25,500 hectares, of land throughout the province. These range from rural agricultural land to extremely valuable holdings located close to or within large urban areas.

The Ontario Land Corp. has adopted measures to ensure that the accelerated sales proceed in a planned and businesslike manner. On the one hand, the corporation must be sensitive to the concerns of the community in which the lands are located. On the other hand, it must act as a prudent agent of the taxpayers of Ontario, who will want the province to maximize the return on their investment. With these principles in mind, staff of the corporation operate under the following guidelines:

First, the sales will be timed to ensure that they do not affect the market value of private or government-owned lands in the vicinity. The OLC lands will be sold at a pace consistent with local market conditions.

Second, the Ontario Land Corp. will continue to obtain local planning approvals on the lands that have development potential. Planning approvals make the lands more attractive to potential purchasers and therefore increase the return to the taxpayers of the province. I emphasize that the Ontario Land Corp. follows local planning procedures. It neither seeks nor has any special advantage over the private sector.

Third, the interests of the other levels of government will be considered in any sale plan. Changes in the plans to develop or sell land will be reviewed, where appropriate, with both our federal partner, Canada Mortgage and Housing Corp., and the municipality in which the lands are located.

Members will recall that on December 16 last year, when I announced a new assured housing strategy for Ontario, one of the components of the strategy was to promote the use of government lands for rental housing. In that regard, a special committee of senior government officials has been formed to identify provincial lands that could be used for rental housing and to review proposals for the development of rental housing on government lands. Chaired by my deputy, Mr. Cornell, the committee includes the deputy ministers of Government Services and Management Board secretariat, as well as the assistant deputy minister responsible for the Ontario Land Corp.

Reporting to that senior committee is a working committee of staff from my ministry and the Ministry of Government Services. The aims of the working committee are to identify and recommend provincial lands that could be developed for Ministry of Housing programs, to establish the current market value of these lands, to take them through the local planning and development process and make them suitable for rental housing and, finally, to market them.

The work of the committee has been progressing well. Provincial lands in Lindsay, Brockville, London, Etobicoke, Scarborough--great Scarborough, as you know it to be--Hamilton, Pembroke and Peterborough have been identified for potential use for rental housing programs.

In addition, a tender call has been issued for the sale and conversion to housing of Victoria College in Cobourg, which has been vacant for several years. Staff in my ministry has been working with the Ministry of Government Services, the Ministry of Citizenship and Culture and the Ministry of Energy to preserve this historic building in a new and useful form.

The recent sale of lands in Cambridge to Toyota Motor Corp. is an example of what we are trying to do. In this case, the sale will boost industrial development, create thousands of jobs in the Waterloo region and generate spinoff benefits for the local economy. In addition, during the past year the Ontario Land Corp. has concluded sales of land in Cobourg, Hamilton and Nanticoke for nonprofit housing developments.

I will turn for a few minutes to the mortgage portfolio. As committee members know, cabinet directed the Ontario Mortgage Corp. to sell its \$340-million portfolio of residential first mortgages over the next two years. Before this process began, the Ontario Mortgage Corp. notified its 13,000 mortgagors of the sale plan by mail. Canadian lending institutions were made aware of the mortgage sale through advertisements in the financial press.

I am pleased to report that we are on target with our mortgage sale plan. To date, the Ontario Mortgage Corp. has issued three open tender calls, one each month. We intend to continue to offer the packages monthly until the portfolio is sold within the next 18 to 20 months. Throughout this mortgage sale process, we have been sensitive to the needs of the holders of existing mortgages. We have ensured that they are aware of the options provided for them as part of the disposition process.

I would like to remind the members that the Ontario Land Corp. will be transferred shortly to the Ministry of Government Services, and the Ministry of Housing's real estate wing will be merged with the accommodation group of the Ministry of Government Services.

Finally, I would like to introduce the Assistant Deputy Minister of Housing, real estate, and vice-chairman and chief executive officer of the Ontario Land Corp., Bob Riggs. Mr. Riggs is responsible for the the day-to-day management of the corporation.

I would also like to introduce Jean Paradis--I hope I have pronounced that right, with the little French that I know--a member of the corporation's board of directors. Mr. Paradis is representing the chairman, Stan Payne, who is unable to be here today. Knowing the dedication of that chairman, I know he would have done everything to be here. He is not feeling too well today and we hope that he recovers as quickly as possible.

Mr. Riggs and Mr. Paradis are available to answer any questions the committee members may have on OLC operations. The corporation's senior staff are also here to answer questions. I have asked Mr. Riggs to give a short presentation on the land and mortgage sales programs, if the committee desires it. That is why you have those lovely slides there ready for you.

The Vice-Chairman: Are you going to be able to stay with us?

Hon. Mr. Curling: I will stay with you a little while.

The Vice-Chairman: Are you prepared to answer questions or provide clarifications?

Hon. Mr. Curling: If I can.

Mr. Leluk: You mentioned that great area of Etobicoke. Where in Etobicoke have you identified this land for housing?

Hon. Mr. Curling: The slide show that Mr. Riggs will show will identify all those areas, as he will demonstrate.

Mr. Sargent: By the way, you have a privatization program coming along?

Hon. Mr. Curling: So to speak.

Mr. Sargent: On the sale and disposal of the land, is it to the highest bidder or do you set a base value before you sell it?

Mr. Cornell: I will turn it over to Mr. Riggs, but, basically, it would be in terms of the market conditions.

Mr. Riggs: If it is developed land, we will tender it. An example of that is Malvern, going at \$1,500 a running foot for a serviced lot. That would be publicly tendered to all builders in the Metropolitan area and Ontario.

10:20

Mr. McKessock: Before you leave that area, you say \$1,500 a running foot.

Mr. Riggs: Market value.

Mr. McKessock: When you tender it, are they to up that or is it just that you look at the tenders but one is going to get it at \$1,500?

Mr. Riggs: It is an open bid. It could go as high as \$2,000 a running foot.

Mr. McKessock: So they can increase that bid.

Mr. Riggs: Absolutely. The highest bid takes the lot and the highest bid sets the price.

The Vice-Chairman: Members of the committee, if we could have Mr. Riggs carry on with the program, maybe we will get a lot of the answers. We can get into the questions after that.

Mr. Swart: If I could ask a very short question, it may be of the minister in particular.

The Vice-Chairman: Okay.

Mr. Swart: I may have missed it, but in your methods of disposal and the alternative, did you include the option of the municipality's acquiring the land near it? Does it have that right?

Hon. Mr. Curling: We have been consulting with all levels, the federal, ourselves, of course, and the municipal governments, on how best to use the land. The presentation will show you the process.

The Vice-Chairman: Mr. Riggs, we will continue with you.

Mr. Riggs: Perhaps before I start, you know the deputy minister, Mr. Cornell, who is sitting to my right. The corporation is made up of a number of key executives who are with me today and I would like to introduce them to the committee. They will be addressing the committee from time to time. I do not have the answers to all the questions that will be asked; I admit that to the committee quite frankly.

I will do my best to answer but for certain in-depth questions I have with me, to my extreme right, Andy Beattie, who is in charge of our planning and development branch. Beside him is Peter Johansen, who is in charge of marketing. With respect to sale prices and values throughout Ontario, Mr.

Johansen can read from his book up-to-date information on any question you would like to ask. Beside him is Jean Paradis, who has been introduced. Jean Paradis is a member of the board; he is also the chairman of the planning and development committee, which gives advice to the minister and the ministry about the various proposals that go to cabinet concerning the planning, the sale and the marketing of our assets.

Mr. Paradis: I apologize for being a few minutes late. My flight from Ottawa was delayed 50 minutes this morning.

Mr. Riggs: Beside Mr. Paradis is Ralph Grant. Mr. Grant is in charge of the Ontario Mortgage Corp., and he will address you further, as you wish, on the sale of the mortgage portfolio.

Derek Haley is in charge of what we call interim management. He works very closely with the Ministry of Government Services on the various farm lands we have in Ontario that are leased out under the farm lease program. He maintains the properties, the farm houses and things of that nature during the period we hold them. It is interim property management. It is the intention to sell those properties back to agriculture or some other use at appraised values, not to retain them.

The corporate controller is Michael Elkin. He keeps control of the financial statements, a copy of which was given to each of you. If there are any questions concerning the financial statements or the write-down of our financial assets last fiscal year, he can deal with them in a professional manner.

Finally, the writer of our corporate plan is Dan Kusel. Mr. Kusel, working with the senior staff, produced the five-year corporate plan of which you received a copy.

That pretty well gives you an idea of the professional background of the senior staff of the Ontario Land Corp. at present.

I would like to take you through our land portfolio to give you an idea of its composition, where it is and what we are doing with it. This will undoubtedly lead to a series of many in-depth questions about any parcel of land we have.

I would like to comment on Etobicoke for one second. In his comments, the minister was projecting into the future in that we are going to merge our assets with those of MGS. In Etobicoke we have two very valuable sites, one at Burnhamthorpe and Highway 27 and one at Five Points. Because of the merger, those two parcels of land will bring all the real estate forces of the province together in one body. We will then be able to review all parcels of land for housing, commercial and industrial uses rather than having two separate bodies dealing with land in different ways.

From that perspective, the merger you have been advised of will bring together all our forces to deal with it in one focus.

The Vice-Chairman: Do you want to question him now?

Mr. Ashe: Yes, on this issue. I am unclear as to the nature of the amalgamation. In his remarks, the Minister of Housing referred to some lands as being under the jurisdiction of the Ontario Land Corp. that would come under the overall blanket of the Ministry of Government Services

and never were OLC's. Has it been back and forth, some from MGS to OLC and now it is going back again? I speak of one you referred to in Etobicoke but more particularly, the historical building in Cobourg; that was not OLC.

Mr. Riggs: No, and the minister in his comments was very general. He was speaking about a housing program and a committee that has been set up to deal with the two portfolios of lands and use them in a co-operative manner with the Ministry of Housing, the Ministry of Industry, Trade and Technology and the Ministry of Tourism and Recreation. Yes, there is a background here that part of those portfolios was MGS and part was OLC, and now they have been mixed to make sure there is maximum utilization.

Mr. Ashe: I want clarification because I was under the impression it had already happened. You say it is going to happen and yet, in some of the things you are naming, it has already happened.

Mr. Riggs: I always have to speak legally. Legally, it has not happened, because the orders in council have not been put through yet. There were certain legislative and legal requirements to be met. Those are being met. Until orders in council and approvals by the Management Board of Cabinet are finally put in place and signed, as you will know, we still have to talk about them as two different entities.

Mr. Ashe: Okay. But for all practical purposes, the amalgamation has taken place.

Mr. Riggs: For all practical purposes, we are viewing the real estate portfolio as one.

The Vice-Chairman: Carry on, please.

Mr. Riggs: Joan Krantzberg from the communications branch will do the slides because I am incapable of doing slides. I always get them mucked up, so I got someone who understands what they are doing. I hope Hansard does not pick that one up.

The map before you gives the locations--and I will use the word "province" rather than "OLC," because at the moment these are all OLC anyway--where the Ontario Land Corp. still has land holdings. We have lands ranging all the way from Windsor to Ottawa and essentially from Sault Ste. Marie down to Niagara Falls.

In terms of size, our major holdings are in south Cayuga and Nanticoke, Kitchener and Cambridge, Milton-Oakville, north Pickering and Whitby, with smaller holdings in Sault Ste. Marie and Carlsbad Springs. We did have holdings in Thunder Bay, but we have sold them to the municipality at a negotiated price. As I go through this today, there are other negotiations with municipalities and regions in a similar vein.

I will give you some idea of our assessment of these holdings, which total approximately 63,000 acres of land. The pie chart shown indicates that 50 per cent of these lands are essentially rural or agricultural lands. Most of the land holdings of Nanticoke and Cayuga lie in one region, Haldimand-Norfolk. We also have lands in Whitby and Milton of a similar nature. The red part of the chart is made up of lands that have no development potential and are essentially agricultural.

We undertook a series of studies before we made that conclusion. We

talked to the regions and the municipalities about their development plans and about servicing capacities over the next 25 to 50 years. It was not until those conclusions were reached on the basis of information that that assessment was made.

10:30

North Pickering comprises 30 per cent of the holdings, about 20,000 acres. I will speak about that separately. Because of its location in Metro, it is a very unique parcel of land that the province owns. When I get to that I will speak at some length about it because it is a major holding within the Metro boundaries.

There are four other slices of the pie.

Mr. Ashe: Buttonville is beyond the Metro boundary, by the way.

Mr. Riggs: Yes. We believe that with going through the planning process on the 15 per cent, we can improve the value of those lands and market them at that time. Most of the members here know that the planning process takes land from the raw state to a subdivision plan, an official plan amendment, a secondary plan and a neighbourhood plan. Taking the lands through that before sale adds substantial value without a great deal of cost. The government has directed that we do that where it can be done, taking into consideration the time frame and then selling or using it in an appropriate government manner at that stage of development.

The three remaining five per cent cover projects that were previously under development by the OLC and include projects that are both federal and provincial in nature. The federal-provincial projects, if I can speak to those, were projects that were bought by the two levels of government back in the 1950s. The best examples at the moment are in Hamilton and Scarborough.

In Scarborough it is Malvern where, over the years, the two levels of government have built a new community of 40,000 residents. We are now at the last phase; there are 900 lots left to sell, and those will be completed in the next two years.

Hamilton Mountain is the other one. Over a period of years, with private builders, we have built communities of 20,000 people there. We are now at the last stage, with approximately 300 lots. When that stage is completed, the province through the OLC will hold no lands in Hamilton.

There are other small holdings in Kingston, Peterborough, Kitchener and Guelph, which are at the final stages. Most of our lands in those pies, if I may use that expression, are in the final stages of development, going back to the 1950s.

You can see from the slide that a great deal of the land is rural. Most of the land in the blue and grey areas is in the final stages of completion; it will be marketed within the next five years, as our plan requires. North Pickering is the question mark, which I will address separately.

Let me take you through some of the major holdings, because each has a status. We have two parcels in Windsor. One is the Hall Farm subdivision, which is a developed piece of land. We have already sold off 100 acres, and houses are completed there. There are 220 acres remaining. They are going through the planning process and will be sold by tender to the highest bidder of the builders in Windsor over the next three to five years.

Mr. Sargent: What do you mean when you say it is developed? To what extent is it developed?

Mr. Riggs: We have serviced 100 acres; that is, turned the parcel into serviced lots. Houses have been built on those 100 acres.

Mr. Sargent: It is serviced now?

Mr. Riggs: Yes. The remaining 220 acres are unserviced. They will not be serviced by the corporation. They will be sold as a subdivision plan or a neighbourhood plan, and the private sector will service them.

The Vice-Chairman: I would prefer not to take questions now unless they are pertinent to the issue.

Mr. Callahan: I wanted to find out whether the balance of the land is zoned for a subdivision plan.

Mr. Riggs: It is in the official plan of Windsor. It is a matter of doing--

Mr. Callahan: How is the land zoned? Is it zoned as agricultural land?

Mr. Riggs: No; it is residential in the official plan.

Mr. Callahan: So the corporation has carried the land to its highest value before it disposes of it.

Mr. Riggs: The highest value is when you take it through secondary and into a neighbourhood plan. We have an official plan that says it is residential, but it is still a blank lot on the official plan.

Mr. Callahan: It is not zoned residential.

Mr. Riggs: It is in the official plan as residential, but it is not zoned as a subdivision.

Mr. Callahan: And you are going to sell it before you bring it to that.

Mr. Riggs: No, we are not. We are taking it through the planning stage to the point where you can proceed to register and service.

Mr. Callahan: That answers my question. You are taking it to its highest use before you sell it.

Mr. Sargent: Is that R-1?

Mr. Riggs: I do not want to say it is R-1, because you go from R-1 to R-6, depending upon block lands. We tried to include some block lands in these subdivisions to have some rental housing or condominiums or high density. Generally, you start with R-1 and go to R-2, R-3 and R-4; you do not go much above R-4.

The other parcel of land, which is shown in green and orange, is a 760-acre holding of land, which we have called Riverside East, in Windsor. We sold approximately 300 acres to the city of Windsor a few years ago, and that

is shown in green. The city has requested from us, in negotiations with CN Real Estate, which owns some of the waterfront lands, that we discuss with CN and the city some method of utilizing these lands for CNR, and CNR in turn will give up the waterfront lands to the city of Windsor.

Negotiations are under way, and this morning I cannot tell you the outcome of those negotiations. They are three-party negotiations, in which CNR may wind up developing those lands for industry or residential. The city may get the waterfront lands and the province may be reimbursed in another way. The negotiations are ongoing, and I will not know the outcome until it goes to cabinet.

Mr. Ashe: I would like verification. Is it still your mandate that even those lands would be marketed or traded off at close to market value, if not market value?

Mr. Riggs: Absolutely. We must get the appraised market value of any piece of land, whether it goes to a nonprofit corporation in one way or another or to any organization.

Mrs. Marland: Are we going to receive a copy of your slide presentation? If so, I will not take notes as you make the presentation. I would like to request formally that we do have a printout copy of your slide presentation.

Mr. Riggs: Absolutely. I will have copies delivered to members of the committee the first of the week.

Mr. Sargent: In every case where you are acting in concert with a municipality, does it have first refusal?

Mr. Riggs: Not necessarily.

Mr. Sargent: Why not?

Mr. Riggs: In Malvern, which is a federal-provincial project at a developed stage, they would not have. They get first refusal only when it is raw land. Once you get past the raw-land stage, they have the right of first refusal.

We are now taking it into a subdivision stage, which they have to approve. If they change their minds, it is very simple for them. They can say: "We are not prepared to approve your subdivision. Let us sit down and talk." Once they get past that first stage, they always have control of the land through the subdivision process, and therefore we are always prepared to talk.

As we see it now, if those negotiations are carried out, our holdings in Windsor will be reduced substantially but allowing us to have some lands for private development in the Hall Farm.

10:40

London is an example of the final lots being sold. In London we had a piece of land that was required by the federal-provincial partnership in 1951. The last parcel of land, which is shown in orange, now has been sold to private developers at the highest tendered price. We are not out of London. I am trying to give you some idea that we are winding down in any event, because our land holdings have run out in many cities in Ontario.

In Brantford, once again we have a situation where our holdings were 1,000 acres. The lands shown in green, 343 acres, were sold to the city for industrial purposes; they are now developing those lands through their own planning process. It was a negotiated sale at appraised market value, agreed upon by both parties. The land has been transferred to the city of Brantford, and they are looking to those lands to bring industry to that city. The remaining lands, approximately 600 acres, now are going through the planning process with the city for residential use. When that is completed, those lands will also be put up for sale unless the city wants additional lands for residential purposes.

In Kitchener-Glencairn, the lands are located in the northwest quadrant of the city of Kitchener. We had 306 acres, which we acquired in 1967. We have serviced and sold housing--not us, of course, the private sector--on 154 acres. Part of the remaining acreage is being serviced for the last time. We need to do that because the next phase is the entrance for the remaining lands for services. We would not want to get blocked in the future by any private element wanting to block off the remainder of the lands. We will service one more phase, and from that point on the lands will be sold for essentially the highest and best planning use. It will be sold to the private sector at the highest and best value, with the municipality always having the right to buy something if it so desires. In Kitchener, we are looking at full sellout within five years.

By the way, it is a good project, an excellent location and mainly residential housing in that part of the city. There is not too much multiple housing at the moment, but there will be pieces left over for multiple housing, whether it be rental, condominium or nonprofit.

Cambridge is a good example to show that real estate is a risky business. Three years ago, the use of Cambridge land was probably long-term urban or going back to farm land. We had approximately 3,000 acres there. A few years ago, we sold--in the upper right-hand corner along Mohawk Road--some land to the Ministry of Agriculture and Food. They put a demonstration farm unit up there, and that has been very successful from their point of view.

Last year, the lands in the lower segment were purchased by Toyota Motor Corp. of Tokyo, which paid appraised market value. The province has worked with the municipality and the region in servicing those lands. We are working with the region and the municipality to undertake a complete planning review of the remainder of the lands. There will be a report completed by consultants about the best way to develop those lands, the financial cost and the infrastructure cost to the municipality and the region. Out of that will come a strategy that the province, the region and the municipality will follow once it has been approved. These lands are very valuable because in them you have the basis of a major industrial development in Cambridge today.

In Guelph there was a small project, which was acquired by the province in 1967, 164 acres. We have serviced and sold lots on 100 acres. The remaining acreage will be planned for the highest and best use and then will be sold to the private sector on tender. This will all be completed within the next three to five years.

Going down to the region of Haldimand-Norfolk, in 1974 we purchased 12,797 acres.

Mr. Sargent: May I ask why?

Mr. Ashe: Somebody had a vision.

Interjections.

Mr. Sargent: That is what you call dirty pool.

Mr. Riggs: The majority of the lands shown in orange are currently leased under the farm lease program administered by the Ministry of Government Services and the Ministry of Agriculture and Food. We have had a plan approved by the board and the province to sell these lands back, honouring the leases that are there today. The leases are one to five years for the farmers who are farming those lands today. We will sell those lands at appraised values to the existing tenant. Normally, we do not do that--we tender these properties--but with the amount of farm land for sale today in that area, on the market and not being purchased, our consultants advise us that our best market today is the existing tenant. In many cases, even he does not want to buy the land. It is not the best land, not prime agricultural land. It varies. The major crop is corn. We still believe that by getting it back to the farmers down there, they will maintain it better than if they were leasing it.

Mr. McKessock: How many of these tenants are the original owners of that property?

Mr. Riggs: About 30 per cent are original owners who are still there. I will be quite up front on this one. They will be buying back their land at a price which is less than what they were paid for it. I will get into the write-down that we talked about in terms of our financial statement. Every tenant farmer has been offered his land at appraised market value. These appraisals were done by independent appraisers in collaboration with the Ministry of Government Services. He may turn it down. If his lease continues for four more years, we will honour the lease. At the expiry of his lease, he may still purchase it.

We are trying to be extremely fair here. We have worked with the region, the municipality and the Ontario Federation of Agriculture to work out this proposal. This was not our proposal; it was a joint approach with the local people, the farm community and the Ministry of Agriculture and Food to deal fairly down there.

If at the end of this lease he still does not want to buy it, it is put on the open market through brokers' listings in the area. Any broker down there who knows the business can assist us. There are three down there who are very knowledgeable in the farm sale business. The farms will be sold on the open market.

Mr. Sargent: What did the total package cost the Ontario Land Corp.?

Mr. McKessock: While somebody is looking that up for you, would you mind letting me know the terms of these leases the farmers have? You mentioned they are up to five years. What do they pay for the lease?

Mr. Riggs: The price is based on the value of the agricultural land which is set by the Ministry of Government Services. It is a price per acre. It could range anywhere from \$3 or \$4 per acre per year up to \$25 or \$30 per acre per year. It depends on the value placed on it by the Ministry of Agriculture and Food and that is predicated on market values. There is an escalation clause on some of them depending upon market values that are predicated on crop values going up or down. We are only administering them.

The Ministry of Agriculture and Food sets those rates, but it is based on land values in that area. The land values in Milton are substantially higher than the land values in Haldimand-Norfolk.

Mr. McKessock: Does that fluctuate over the five-year lease term or is it constant for the five years?

Mr. Riggs: It is fixed.

Mr. McKessock: I was just thinking that this year the price of corn is so much lower and they are still tied into a higher lease.

Mr. Riggs: It is fixed.

10:50

Mr. Callahan: Are any strings attached to ensure that individuals who have a lot sold back to them will not then sell it to a developer? As I understand it, your plan essentially is to keep it in agriculture. Unless there are some strings, one would think they could turn around and sell it to a private developer, in which case the whole thing would start to go and your plans would be frustrated.

I have a second question you might want to think about. Those lands, having been owned by the crown for whatever number of years, have been tax exempt. In addition to the appraised value, has there been any consideration that the taxes that would have been paid on it are either added to the price or paid to the municipality to recoup the loss of taxes over all those years?

Mr. Riggs: Let me answer the second one first. Because the Ontario Land Corp. owned the lands, we paid grants in lieu of taxes on those lands.

Mr. Callahan: All right, but I do not think they were the same as the taxes.

Mr. Riggs: Yes, they were.

Mr. Callahan: Were they? All right. That answers my second question.

Mr. Riggs: That is one of the anomalies a corporation goes through. If the government owned it, it probably would not have paid. We normally pay full grants in lieu of taxes.

I mentioned that before we begin this disposal strategy we look very carefully at the future of any area. Haldimand-Norfolk is not a growth area. Developers have lands on the market today that they cannot sell. They bought them in anticipation of speculation. I cannot sell some of these farms. There is not a great market and we do not want to flood the market there because otherwise we will further depress the land values of private owners. In this area of Nanticoke, where we have something in the vicinity of 26,000 acres of land, it will take us at least 10 years to sell it if we are not to depress the market. It does not seem a likely candidate for flipping, if I can use that terminology. There is so much land down there.

Mr. Sargent: OLC took a bath down there.

Mr. Riggs: Yes, sir.

The Vice-Chairman: Gentlemen, we have a list, so please direct your--

Mr. Sargent: Do you have the price you paid for it?

Mr. Riggs: I beg your pardon?

Mr. Sargent: Can I find the price you paid for it?

Mr. Riggs: We paid about \$26 million for it. We paid close to \$3,000 an acre and we will get back close to \$800 an acre. Of course, that does not include interest.

Mr. Callahan: It sounds like a Suncor purchase.

Mr. McKessock: Another Suncor.

The Vice-Chairman: Mrs. Marland, are you on the same point?

Mrs. Marland: On the same subject. I might have known that with Mr. Callahan here this morning we would get into partisan questions, but I am trying to be objective.

Mr. McKessock: Economic questions.

Mrs. Marland: His last comment was very partisan.

Mr. Callahan: It is a fact.

Mrs. Marland: Mr. Riggs, the reason the farmers will buy back at less than the purchase price is that it is a depressed area. Is that the reason?

Mr. Riggs: There are a number of circumstances going on in Haldimand-Norfolk. The industrial expansion that was anticipated with Stelco never took place.

Mrs. Marland: With Stelco?

Mr. Riggs: Stelco put a major plant there, worth in excess of \$1 billion as I understand it. The steel market collapsed in the early 1980s and the full use of that plant and the industrial subdivision it also placed in Haldimand-Norfolk has never developed beyond the initial stage.

The other thing that is affecting Haldimand-Norfolk is tobacco farming, which has ramifications throughout the region. For that and other reasons, there is an excess of farm land on the market for sale in that area. Many farmers who were quite prosperous in the tobacco business cannot grow corn because the value of their farms is much in excess of what a corn crop will produce in revenue. Therefore, you have a substantial number of farms on the market and we are trying to compete with that and yet not depress that market.

Mrs. Marland: When the lands were bought by the government, was the price inflated by more than the promise of the Stelco project?

Mr. Riggs: I do not think so, but appraisals which were taken at that time seem to substantiate, in a speculative market, the price that was paid. Remember, though, it was a speculative market and we had a steel plant, a Texaco plant and Hydro at that time had the largest coal-burning plant. This

was before acid rain hit us hard in terms of its impact on the environment. There were great plans that this would become another Mississauga. It may have been overly optimistic.

Mr. Callahan: There can never be another Mississauga.

Mr. Riggs: It may have been overly optimistic but that was the atmosphere in Haldimand-Norfolk when a lot of builders went in and began speculating, which of course drives up prices.

Mrs. Marland: Was this 12,000 acres the acreage that was required for disposal by Ontario Waste Management Corp? I am not sure why there was the acquisition of that volume of land.

Mr. Riggs: I am not quite sure of your question but I will try to answer it.

Mrs. Marland: Is this the site OWMC was looking at?

Mr. Riggs: It was, but it was subsequent to the purchase. When Dr. Chant began to look at parcels of land throughout Ontario, he looked at that parcel and indicated it would be satisfactory at one point. When that announcement was made, there were subsequent discoveries concerning old natural gas wells which could have a detrimental effect on such a proposal. At that time, this site was rejected.

Mrs. Marland: I relate South Cayuga to the Ontario Waste Management Corp. site that I identify with that area. In actuality, OWMC was established after they discovered this area was not suitable for the disposal. That is when the province decided it needed the waste management corporation to identify a suitable site.

Mr. Riggs: You could be right; my knowledge of that sequence of events is limited.

Mrs. Marland: I realize it is not your area or your responsibility but what you are saying is that the acquisition of this land was prior to the consideration of that area for a disposal site.

Mr. Riggs: Yes, it was.

Mrs. Marland: They are not related; therefore, the disposal site question did not affect the market value. That is what I am coming around to. It would have depressed market value at the time. The market value at the time was a realistic one, based on the plans for the development of that area as a future satellite community.

Mr. Riggs: Yes, based upon the appraisals at that time, and taking into consideration that it was a speculative market, the prices paid would have been in accordance with those appraisals.

Mrs. Marland: It was not, therefore, an unfair price at the time. That there is not the value in the land today has nothing to do, necessarily, with the government.

Mr. McKessock: It was just a bad dream.

Interjection.

Mrs. Marland: No, I have not finished. What I am trying to get at is, it is only fair that whoever buys back those lands today--whether they are the original farmers or anyone else--obviously you start with the point that they can buy them back only at the value of today's market.

Mr. Riggs: Yes.

11:00

Mrs. Marland: But the fact that it is less is really not their fault nor the fault of the original purchaser, which is the government, because the government bought it at market value--albeit a speculative market but it was the market value. That is a question.

Mr. Riggs: My answer is that the purchase price was predicated on appraised values in a speculative market and we are now selling at appraised values in a depressed market.

Mrs. Marland: Thank you.

Mr. Swart: Mr. Chairman, at the beginning you said we would go through this and accept some general questions to the minister. I have numerous questions but I will refrain from asking them. I would like one supplementary, as you permitted the others to have.

The question was raised about speculation or flipping of this land. Am I correct in assuming that practically all this land is still zoned for agriculture?

Mr. Riggs: My understanding is that all of the land is still in the official plan as agricultural.

Mr. Swart: Yes, so there cannot be any flipping without the concurrence of the municipality.

Mr. Davis: But you do not really believe that, Mel.

Mr. Swart: I do in that particular instance because I know the situation and I know the land.

Mr. Riggs: I cannot see any great speculation in that area. If we had land in Mississauga, we would use anti-flip clauses if the land could be developed. We have one parcel of land in Oakville which we have refrained from putting on the market because Oakville is so hot now because of changes in demographic growth. There are concerns that we have to be more careful there because the market has suddenly boomed around Metro. In other places in Ontario, particularly in this region, we do not have a boom.

Mr. Sargent: I do not want to sound political, but the Ontario Land Corp. has, in its wisdom, okayed the deal. They went along with the government to put the dream city there. It has put in \$27 million. How much money has the Ontario Housing Corp. invested there? Does OHC have any money there?

Mr. Riggs: Not OHC.

Mr. Sargent: What kind of government money is in the buildings that are there now?

Mr. Riggs: The Ontario Land Corp. developed Townsend in terms of Nanticoke. That is the next slide. There are no buildings there at all.

Mr. Sargent: No buildings?

Mr. Riggs: That is Cayuga. This is one of the two town sites purchased in Haldimand-Norfolk. This one never went ahead. It is the Nanticoke development--

Mr. Sargent: We have more headaches coming up?

Mr. Riggs: Yes. I will not say they are headaches.

Mr. Sargent: You are pretty astute people. You seem to know what you are talking about. How did this happen?

Mr. Riggs: The lands were purchased. When I came in, I was asked to develop a strategy to review the lands and to ascertain their use. Where they could not be used for value, I was to take them through the planning process to develop a strategy and sell them back for agricultural uses. I cannot go back beyond that. I wish I could.

Mr. Callahan: I notice in that book there seems to be a list and I am curious about it. I gather appraisals were taken from time to time as you went down the line to the present \$8 million figure. Is that right? In other words, it was appraised for \$25 million when you bought it. There must have been appraisals taken thereafter to see that the market was getting depressed. I would be interested in seeing that schedule.

Mr. Riggs: No, there was no need. We use appraisals to initiate action. We live down there. We have people down in Haldimand-Norfolk all the time. We sell lots down there. We know the price of farms. We work with the Ministry of Government Services and the Ministry of Agriculture and Food. There is no need to spend more money to do appraisals when the obvious is before one's face.

When the Treasurer (Mr. Nixon) announced in his statement that we were to write our lands down to market value, then we used appraisals because we had to substantiate that write-down on the basis of professional appraisals. Those appraisals were done.

Mr. Callahan: What I am getting at is that between the time it was bought by the previous government and today, there must have been some determinations along the line that this depression was taking place and it was not unloaded before.

Mr. Riggs: Let me try to relate how we carried the lands in our financial statements. Our financial statements are public. They are issued and approved by the Provincial Auditor. We indicated in our financial statements two facts. First, we carried the land to book value.

Mr. Callahan: Book value? Is that what you paid for it?

Mr. Riggs: What we paid for it and any costs that were added to it. Second, we also indicated that on certain lands--and they were identified in the financial statements--no interest costs were being approved, because the book values of which we were aware at that time were above the market values.

Mr. Callahan: You are saying that between the time of purchase and this government finally getting it down to a proper figure and having a proper appraisal done, there was never a consideration by the other government that there was a depressed market and that perhaps it should get rid of those lands?

Mr. Riggs: No, sir.

The Vice-Chairman: Mr. Davis, I missed you on a supplementary.

Mr. Davis: I understand the section we are looking at is zoned for agriculture.

Mr. Riggs: That is my understanding. I cannot speak for every parcel of land there. There may be a little parcel of conservation area or something of that nature, but generally all those parcels in the official plan are agricultural.

Mr. Davis: What government body has the authority and the right to change an official plan?

Mr. Riggs: The regional government must initiate an official plan amendment. The province will eventually approve that, probably through an Ontario Municipal Board hearing.

Mr. Davis: If there is an appeal to the OMB.

Mr. Riggs: If there are objections and an appeal to the OMB. Otherwise, the regional government will approve the amendment and submit it to the provincial government for approval.

Mr. Davis: It is possible, if I understand the process correctly, that I could purchase large segments of that and put pressure, lobby the local regional government, ask for and get a rezoning change that might allow me to place 10-acre lots or small subdivisions in that area?

Mr. Riggs: No. I think you would be in contravention. You would probably have to get it through the agricultural food land guidelines, which indicate that you cannot have an official plan amendment if the lands are not to be used within a 10-year framework. It is absolutely impossible for anyone to get consensus that there is need for housing development in that area within a 10-year framework.

Mr. Davis: Is it possible to build subdivisions on flood plain lands?

Mr. Riggs: It is not supposed to be possible.

Mr. Davis: It is not supposed to be possible, yet it is done.

Mr. Riggs: It has been done, but all these things are being altered to ensure that those anomalies do not happen.

Mr. Davis: Your guarantee to this committee is that land will not flip and become 10-acre lots or subdivisions?

Mr. Riggs: If the present economic conditions in that area are maintained, I would say with some surety that will not happen. If people who have great economic interest decide to build the General Motors-Suzuki-Toyota plant in the middle of Haldimand-Norfolk, we have made a wrong decision and my

recommendation to the government has been incorrect. If that happens in the middle of that land, if General Motors, Suzuki, Mercedes and a few other people all decide to build the biggest plant in the world down there, you will have the biggest economic growth ever seen. I do not think that is likely.

The Vice-Chairman: The minister has advised me that he has to leave us. I wish to take this opportunity to thank him for coming.

Mrs. Marland: I have not been able to ask him anything.

Mr. Davis: Minister, I notice you always have trouble answering questions.

Mrs. Marland: Mr. Curling, if I had known you were here, I would have been here on time.

Hon. Mr. Curling: So would Mr. Davis.

Mr. McKessock: For clarification, you mentioned that it was up to the regional municipality to initiate an official plan amendment that would then be approved by the government. It might be approved. It could be approved or it could be turned down.

Mr. Riggs: I understand that.

Mr. Callahan: May I have a further supplementary? What is the population in South Cayuga and the surrounding area? Is it about 1,200? It is small.

Interjection: The population of the region is only about 40,000.

Mr. Riggs: The region has 40,000 people, most of them in Simcoe and Port Dover. Jarvis has about 1,100 people. If there are more than about 2,000 or 2,500 people in that area, I think I would be very close.

11:10

Mr. Callahan: You have not run that one by the Ghermezian brothers, have you?

The Vice-Chairman: Mr. Riggs, will you carry on please? Let us keep our questions as much as possible until after the presentation is over, please.

Mr. Riggs: This is the Nanticoke assembly in the region of Haldimand-Norfolk. The lands shown in orange are the limits of the 10,990-acre land bank. This was the area chosen by the province to build a new town of Townsend to support the industrial expansion in Nanticoke. The small green area is the actual town site area where 137 houses have been built with a population of approximately 500 persons, where the regional building has been built to house the regional administrators and where there is a community shopping centre constructed by the province, housing convenience stores and things of that nature to service the small hamlet of Townsend today. In future, a new church will be under way. A senior citizens' housing development is almost completed and will be doubled up shortly. A rental housing project is being proposed and we are trying to service a site for this firm that has already leased the units and wants to start construction immediately.

In addition, along Highway 6, the province has sold a parcel of land to

the city of Nanticoke for the new city hall. It lies between Jarvis and Townsend and there is some affinity between those two small communities. In addition, we have sold a parcel of land to Bray Chicks Ltd. for a \$4-million chick hatchery that is now under construction and will help. Once again, this is a small initiative in that area after the great optimism that arose because of the expansion in Nanticoke.

This particular development was submitted to cabinet. It asked that a special interministerial committee be formed to look at the entire financial impact of the change in the history from when it was optimistically thought it would move very quickly to the population projections we have today. This site was to house 40,000 people. The official plan of the region is being revised. We have been involved in that. We are working closely with the region and the municipality in revising the official plan and squeezing down the area of land necessary for any small town or hamlet that may continue to be called Townsend. There are people living there and they have property values that they are concerned about.

That report is just completed. It is now going to cabinet and it covers such matters as these: Where goes Townsend? What is needed to negotiate with the region and the municipality concerning the financial impact of the lack of growth? What about the sewer and water facilities, transportation facilities and the school facilities that were all predicated on the growth of Townsend? The cabinet will address the matter in the near future.

Beyond that, I can only say that the matter is under consideration. The lands in orange are being offered for sale in the same manner as Cayuga to turn them back to agriculture. In my opinion, we do not need 10,990 acres for development in that region at this point. We still hold 1,100 hectares, which is 2,500 acres. That is still satisfactory for a major population.

The region has indicated in its official plan review that its population projections lead it to believe that by the year 2002 Townsend will grow to a population of 1,600 and we have more than sufficient serviced land there today to last until 1991. We have approximately 75 lots, and we are selling 15 to 20 lots a year. The province does not need to put additional funds in there to allow the hamlet to continue to grow before we find a marketing plan and some private interest to buy the town site under certain guarantees to ensure the viability of the people who are living there today.

I cannot go beyond that because all this is contained in a cabinet submission which will be reviewed by cabinet and a decision will be made. I am trying to give you some of the outlines and some of the intricacies that the regional and municipal governments must consider when you find a complete change in direction which impacts at the local level.

Mr. Callahan: Were the services oversized for 40,000 people?

Mr. Riggs: No. With the water service in particular, there are no sewer services. For Townsend, a sewer lagoon was constructed to house 5,000 people. I think three of the five cells are complete. The water service was sized to also service Stelco, Townsend, Hagersville and Jarvis. That allowed more than just Townsend to grow because of that water service, but there is an oversizing and it has to be recognized in any kind of downsizing in terms of financial impact.

Mr. Sargent: In other words, you are receivers. You are doing a bail out and I think you are doing a good job there to get out of that mess.

Mr. Riggs: I cannot make any comment on that.

Mr. Callahan: That was a rhetorical question. I do not think it even calls for an answer.

Mr. McKessock: Did you say there are no sewers there? The lagoons are there, but the sewer system is not in place?

Mr. Riggs: There is no sewer system. There are lines that connect to a lagoon.

Mr. McKessock: Connect to a lagoon?

Mr. Riggs: Yes.

Mr. McKessock: There is a sewer system in place?

Mr. Riggs: There is an internal sewer system, but there is no outlet. The lots developed in places such as Townsend have full sewer and water, but the outlet is to the lagoon. Originally, there was a proposal that there would eventually be a major sewer, a trunk sewer connecting down to a disposal plant on the lake. It is unlikely that would happen now because of the growth downturn. We now have to look at how you service the smaller communities in Haldimand-Norfolk, because their lagoons in some cases need either a new lagoon or revitalization. That is part of the process that is being looked at.

Mrs. Marland: I am a little concerned that we might be giving up all the potential for the future of these areas. Perhaps this is something we should discuss towards the end. I would like to address that towards the end because I can certainly recognize that there is a long-range plan and obviously always has been. That was why these visions were developed. In the short term, it may seem very feasible to start realizing, "It has not worked, so we had better give it up."

When you look at Canada and at Ontario and the concentration of the development and the residential habitat around the industrial development, it just does not make sense to have it so concentrated around the Golden Horseshoe and the Metro Toronto area. When I look at this area you are discussing now, Mr. Riggs, I have to wonder about other alternatives and whether they have ever been considered. Is there not an old airport at Hagersville?

Mr. Beattie: There is one just (inaudible) there.

Mr. Riggs: Yes, there is.

The Vice-Chairman: Whoever is going to speak should speak into the microphone.

Mr. Riggs: I am sorry. That was Mr. Beattie. Thank you, Mr. Chairman.

Mrs. Marland: I have landed at that airport in an emergency situation. I think it is an old, wartime airport and it is quite substantial in acreage. I wonder whether the Ontario Land Corp. has ever looked at the potential of encouraging development by encouraging the federal government to look at the use of the airport.

Mr. Riggs: We had discussions with a firm from Tillsonburg, Livingston, which works out of the airport with its product. They wanted to expand the airport and make greater use of it but, once again because of the whole downturn of that area, they decided not to proceed and broke off negotiations with us because of the same problems we are facing there ourselves.

I mentioned that at the moment we are maintaining all the land in blue, which is close to 2,500 acres and which would take a population of probably 25,000 persons. The official plan of the people in the region who are looking at future population projections says there will be 1,600 by the year 2002. We are trying to balance our holdings and not have excessive holdings. If you include interest at 10 per cent per year and you hold land for 25 years, you can buy it back cheaper than holding it, regardless of the speculation. Holding land is expensive.

Mrs. Marland: I am looking forward to getting into the real discussion of the Ontario Land Corp.

The Vice-Chairman: Could we leave that until after lunch, please?

Mrs. Marland: That is what I am going to say. I want to make the statement that the reason we are discussing the Ontario Land Corp. is that it was my request that the committee do so. It was my subject for this committee. I look forward to the discussion because, in spite of our having the Minister of Housing here this morning, I think others who should be involved in this subject are the Minister of Industry, Trade and Technology (Mr. O'Neil) and perhaps the Minister of Tourism and Recreation (Mr. Eakins). Certainly the Minister of Industry, Trade and Technology should be as interested in the Ontario Land Corp. as the Minister of Housing. Are we going to spend more than this afternoon with this corporation?

The Vice-Chairman: It is up to the committee. What I would like to do is have the presentation finished before we break for lunch. If members could hold their questions as much as possible until Mr Riggs finishes, we will have time this afternoon for questions and discussion.

Mrs. Marland: Could I request then that the clerk have someone here this afternoon from the Ministry of Industry, Trade and Technology?

The Vice-Chairman: Okay. Mr Riggs, carry on, please.

Mr. Riggs: I mentioned Hamilton before. There are two projects in Hamilton: one to the left on Limeridge Road is a federal-provincial project in the final stages of development. Lots will be sold this year--finished, market value tendered, highest price for builders, etc.

The other property is called Heritage Green-Stoney Creek. Stoney Creek is the fastest growing area in Hamilton-Wentworth. We have in that development about 1,300 acres. The green portion is 370 acres which have already been serviced and sold and we will be selling a further 30 acres this year, serviced and sold. The remainder will be planned to the highest and best use and sold off in terms of neighbourhoods to the private sector on a tendered approach. We work closely with the region and the municipality and we work within the official plan in the planning of the demographics.

Mr. Sargent: Do you have staff on site there?

Mr. Riggs: We do not, sir. They work out of the Toronto office as needed.

Mr. Davis: Going back to the slide, I want to ask a question. When you sell those lands to developers, do you or the Housing minister ask that part of the housing developments be for affordable housing or special kinds of apartment buildings such as low rentals?

Mr. Riggs: If they are federal-provincial lands, we try to identify the requirements of the Ministry of Housing before they are sold. In block lands we have sold in Hamilton and other areas, lands to nonprofit organizations or Renterprise loans where the Ministry of Housing has asked for sites for single-family housing, we do not try to impose upon the municipality a specific, what you might call an affordable house or a starter house. We go along with the zoning and planning the municipality has approved.

We have the windup of a small project in Niagara Falls of 40 acres. We have sold about 27 acres. The remaining acres are going to the planning process and will be sold in the next two years.

I have mentioned Oakville. We have a project there of 1,266 acres. The land south of Highway 5 is in the middle of a future potential development area. It is a very overheated market. We were preparing to sell the lands north of Highway 5 but we have been advised by the municipality and the region that major changes are being considered in their official plans and the servicing potential.

We are now working with the region and the municipality to determine what impact that will have on the value of those lands and whether they are prepared to process an official plan amendment to allow us to increase the value of those lands and work with the municipality and the region to determine the future housing industry and other kind of requirements that could assist us in value, jobs and housing. That one is going back to a review process with the municipality and the region.

Mrs. Marland: Is that the site that includes the property where they were going to place the sports centre?

Mr. Riggs: No, it is not--not that I am aware of anyway.

Mrs. Marland: The provincial project of a sports centre?

Mr. Riggs: No, it is not.

Milton, in the region of Durham, has fragmented parcels of land. It was purchased by the province. We have two plans there. Some of the lands will be sold back to the Ministry of Agriculture and Food and they are beyond any kind of servicing for the next 25 to 35 years. The municipality has confirmed that to us. There are a number of areas along the ravines which are ideal for estate lots. The region has asked us to review that approach with it.

Once again, we are working with the region and the municipality to follow their approaches in the planning scheme. There are two aspects here of the 2,200 acres: estate lots, because that fits in with other estate lots in that area, and turning some of the other lands back into agriculture because they are excellent lands and well beyond any kind of development potential for many years to come.

Mr. Davis: Why are they beyond development? I do not understand that.

Mr. Riggs: Servicing. They are beyond the development plan. The municipality has said to us very simply: "We have more than enough land within our official plan for the next 50 years. We have no capacity to service it with sewers or water without doubling our present system." The doubling of a present system all the way down to Lake Ontario is just beyond cost. If you have thousands of acres--and I will get to why in a second about Durham. In a second you will see what I am talking about, why Whitby, Oshawa and Durham would not want to service Whitby or Whitby lands.

There is a piece of land immediately east of that, which I believe was owned by Brooklin. Brooklin was to be a new town, developed by Consolidated Building Corp. It has not gone anywhere, a few thousand acres, and the reason is the servicing costs. We are even farther west than these lands. Before these lands would even be considered for servicing, Brooklin would have to be serviced. It is outside what we call the development time frame. If you cannot service, it is not much use to you any more.

Mr. Davis: Okay.

Mr. Riggs: Malvern was developed by the federal and provincial governments over the last 25 years. There are 40,000 people living in Malvern today. It is one of the largest communities in Ontario developed successfully by a government. It is unique.

The remaining portion in orange is the last 900 lots to be sold in Malvern over the next three years. As I mentioned, the price will be about \$1,500 a running foot. We do have some block lands there which will be sold to nonprofits as designated by the Ministry of Housing. They will be allocated and sold at appraised value on whatever basis the government decides.

11:30

Mr. Davis: Will they be apartment buildings?

Mr. Riggs: They could be apartment buildings, town houses or quadruplexes. They could be any kind of multiple housing.

Mr. Davis: Up in that area, a large number of those homes are single-unit homes too, are they not?

Mr. Riggs: Yes, but in that area there have always been block lands for apartments, town houses, etc.

Mr. Davis: I want to clarify this. In the Milton area, for example, the Minister of Housing deems, in consultation I assume with the local council and your organization, that there should be no block lands.

Mr. Riggs: No. The municipality has the final determination about the mix in a subdivision. We have to submit a plan of subdivision to them and they normally require a mix of housing because they want a community. The farther out you go in terms of suburban land, the lesser the quantity of livable block lands, because the community is normally a single-family community. If you went out as far as Oshawa many years ago, it was a single-family community. Now, it is a multiple plan.

Mr. Davis: But that is only because we allow them to develop that

kind of structure. I know, for example, Scarborough does not want any more block lands. They do not want any more low-rental units. They say they have enough, if I read the paper correctly. Why is it that in those other areas, if we want to talk about affordable housing, we do not begin to use some kind of block lands there?

Mr. Riggs: We have never run into this problem, even in Scarborough. We always included block lands from the beginning of Malvern because the federal and provincial governments said there had to be a mix of housing. It may well be that in other parts of Scarborough they are exercising their prerogative, but up to this time we have had a wide range of housing in Malvern, from high-rise apartment buildings to nonprofits, town houses, duplexes, semi-detached and single-family units.

Mr. Davis: Can you answer one question, which will help? In the Milton area, using that as an example, can you tell them they have to have block lands?

Mr. Riggs: If I can turn to the next slide on Durham, I will answer your question.

Mr. Sargent: Sorry to take you back to this, but you mentioned \$1,500 a running foot.

Mr. Riggs: Yes.

Mr. Sargent: If you have a 60-foot lot, that is \$90,000.

Mr. Riggs: Yes.

Mr. Sargent: Are you talking industrial or residential?

Mr. Riggs: I am talking residential.

Mr. McKessock: You have to put a tent up.

Mr. Sargent: My God, the average around most of Ontario is \$500 a running foot. Why is this so high?

Mr. Riggs: It is the last land in Scarborough on a ravine.

Mr. Sargent: But you mentioned it a number of times.

Mr. Riggs: No, these are the 900 lots we are selling up there. In the past, we ranged as low as \$500 a running foot in Malvern, but these are the last lots in Malvern and they are on ravines.

Mr. Sargent: I see.

Mr. Riggs: You are getting into a small segment of remaining land in Malvern. Now it is all complete and it is going on the market in the next three years.

Mr. Sargent: You must have a hell of a hot marketing executive. Does he do the marketing for all these packages?

Mr. Riggs: Yes, sir, and he will be talking this afternoon about how we achieve these results. You are right. By the way, the size of the lots has

decreased over the last 10 years. Fifty-foot lots used to be quite common in Ontario. If you go out to Pickering or Mississauga, the average lot size has decreased substantially.

I have talked about Whitby and we will bypass that one. I would like to go right on to north Pickering, because I want to answer your question. The other large holdings we have are located in north Pickering. This was purchased and it was acquisition and expropriation; it was a mix. Part of it was purchased and part of it was through expropriation. It covered 20,000 acres, and we have shown the north Pickering assembly in yellow on the extremity--I hope it is any way--under the federal airport lands.

It was for a new town called Seaton, which would be in the region of Durham and form part of the town of Pickering.

In trying to address one of the other questions, I think this 20,000 acres of land lies on the extremity of Metropolitan Toronto and actually part of it is in Metropolitan Toronto, in Scarborough. Metropolitan Toronto and its environs, running from Burlington to Oshawa, is still the fastest-growing community in North America. There is no doubt about that in terms of its population growth, its industrial growth and its amenity growth.

The east has not normally shared the same type of growth as Mississauga, the west or the north. I include Markham in the north. At the moment the east side of Metro, Pickering particularly, is going through a boom. Anyone who has driven out there knows the housing being developed on acres and acres of land is almost phenomenal. The main land south of what I call Pickering or south Pickering is being eaten away very quickly and thousands upon thousands of houses are being built in Pickering for the first time in that quantity.

I would like to show you a blowup of the holdings of the province in north Pickering. All the lands south of that in south Pickering will be gone within five years at today's rate of development. All the lands north of that are owned by the federal government and will be used for a federal airport. That idea has not gone away and there are still plans afoot to develop that into the grid of a regional airport. The discussion is ongoing on that, as you may have read in the newspapers.

Mr. Sargent: How much land is that?

Mr. Riggs: They have more than 27,000 acres of land, if you look at the east part of Metro.

Mr. Sargent: As big as Malton?

Mr. Riggs: It is bigger than Malton.

Mr. Callahan: Malton does not exist.

Mr. Riggs: The Lester B. Pearson International Airport is not as large as the 27,000 acres of land they have here. I am sorry, I will correct that. It is 18,000 acres. I apologize. I was thinking of other holdings.

If you look at that map, you will see everything to the west of our holdings is essentially being built up. Everything to the north is blocked by the federal airport lands and by lack of servicing. Everything to the south will be gone within five years. It means the province has a monopoly on all serviceable lands on the east side of Metropolitan Toronto.

When we looked at those lands, we tried to view it as a developer, not as a new town approach. We asked ourselves, what would a developer do if he owned those lands, looking at natural boundaries, serviceability, demographics and growth potential for our planning purposes? I must stress that none of this has been approved. There are a number of planning studies under way which I will explain to you.

The first one is the Seaton urban area. Those lands are serviceable today. They are included in the official plan of the region of Durham as zoned residential, industrial, commercial, institutional. That is completed. We have under way a secondary plan approval by the town of Pickering to mirror the official plan of the region of Durham. That will be completed in 1987-88. It is under way now. When that is completed, and the servicing is available, the lands will be marketable; value unknown, but substantial.

There are 7,000 acres of land in that parcel, and I believe about 1,500 acres of that will be zoned or have been zoned industrial. There are institutional lands and there are residential lands of all types, from single family all the way to high-rise multiple.

11:40

Mr. Sargent: When did you buy the land?

Mr. Riggs: In 1972.

Mrs. Marland: You keep talking about when servicing is available, and I want to understand OLC's policy on this. As you are probably aware, we have a strong policy in Mississauga that the development should pay for itself. When the servicing is available in the overall plan is the responsibility of the municipality. When you talk about when servicing is available, are you talking about the developer doing the servicing based within the plan of the municipality?

Mr. Riggs: Yes. When I say services are available in Seaton, I am talking about the trunk sewer. Regional roads would be the responsibility of the region and certain provincial roads would be the responsibility of the province, but all other services would be the responsibility of a developer, who would purchase the lands from the province under certain guarantees and requirements.

Mrs. Marland: You would not see the developer paying for the trunk sewer?

Mr. Riggs: The trunk sewer is already in with part of the York-Durham system, which is to be repaid by usage.

Mrs. Marland: The sooner the lands are developed then, the sooner the upfronting by the municipality of any of the services is covered?

Mr. Riggs: Yes, including the province's upfront costs. Absolutely.

Mrs. Marland: And the provincial subsidy on the roads, and so on. The availability of servicing is related to how fast the land is developed; the sooner that happens, the sooner the servicing is available.

Mr. Riggs: By the end of 1987 at the latest, that parcel of land will be approved by the region, approved by the municipality, if the plan goes

through--I have to add that caveat--and the trunk sewer will be available so that the lands can go into production for housing and for industry in 1988. From the direction I have received, that undertaking would be by the private sector under guarantees and understandings with the province in terms of what is required for housing, industry and things of that nature. The investment would be by the private sector.

Mrs. Marland: That is good. You also mentioned when the planning studies are complete. Who does planning studies for the OLC?

Mr. Riggs: We do not do the planning studies in this case. We are paying the town of Pickering, which has hired the firm of Peter R. Walker to do the planning studies. There will be public meetings, presentations to the municipal and regional council and possibly an Ontario Municipal Board hearing. We recognize that the entire public process is part of that study.

Mrs. Marland: Does the OLC ever hire the planning consultants itself?

Mr. Riggs: We have, at the request of the region or the municipality. There does not seem to be a laid-down rule here. In the case of Cambridge, it hired a consultant. In the case of Stoney Creek and Heritage Green, we were asked to hire the consultant but we work as a team with the region and with the municipality. It is a joint effort, regardless of who hires the consultant. It seems to be a matter of what the municipal council wants. We reflect what it wants.

Mrs. Marland: Under the act, you yourself have full latitude to hire, if you wish.

Mr. Riggs: Yes, we do, but we would not normally do that.

Mrs. Marland: When you do hire consultants, do you tender it?

Mr. Riggs: Yes, we use a roster approach by trying to select consultants who come from the area or who have worked in the area. That is the best way of doing it. We have a list of anywhere from five to 12. They are all invited. There is a numerical system of grading them in terms of their price, if that is a criterion, their knowledge, the team they are putting in there and things of that nature. The steering committee normally meets, reviews each of the firms in a personal interview and grades them. The firm that has the best solution, both to the regional municipality and/or ourselves, is selected and recommended.

Mrs. Marland: Thank you.

Mr. Callahan: You have indicated that you are going to develop this site. Will you go beyond that or will you be selling off lots to builders?

Mr. Riggs: You are talking about this area?

Mr. Callahan: Yes.

Mr. Riggs: We will stop at the planning stage. That is my understanding.

Mr. Callahan: You are just going to get it on stream and then you will sell it off.

Mr. Riggs: That is our understanding. The final marketing plan still has to be approved by the government.

Mr. Callahan: The OLC had an excellent scheme which was unfortunately done away with prior to an election. It was the home ownership made easy program. Has there been any discussion about the reinstitution of the HOME program?

Mr. Riggs: No. We have not reached that point. The first task of the interministerial committee I mentioned was to address the planning of this development, not the marketing. If cabinet agrees with the planning approach, then we will address the marketing approach.

Mr. Callahan: I gather there is nothing there at the moment. Is north Pickering totally vacant?

Mr. Riggs: Yes, in terms of what you are talking about.

Mr. Callahan: I am sorry. This is going beyond the supplementary. Does someone else have a question?

The Vice-Chairman: Mr. McKessock is waiting in the wings.

Mr. Callahan: He is my colleague. Can you wait for a second, Bob? I am going a little far afield, but under the HOME project, did the OLC go beyond the stage you are currently talking about?

Mr. Riggs: Yes.

Mr. Callahan: It provided the services and the whole caboodle?

Mr. Riggs: Yes.

Mr. Callahan: Did it also sell the homes?

Mr. Riggs: No.

Mr. Callahan: The homes were built by individual builders.

Mr. Riggs: Yes.

Mr. Callahan: You continued to lease the land to individuals.

Mr. Riggs: If you understand its background, the HOME program had its pros and cons. Originally, we leased the lots at book value. We took back a second mortgage or something on the difference between book and market value. That is cumbersome for resale, but it was the theory and it worked at that time.

Mr. Callahan: They could resell for the price they paid for it plus 10 per cent for improvements. That was the maximum they could get.

Mr. Riggs: There was a formula.

Mr. McKessock: You mentioned that trunk sewers are already in. How many years have they been waiting there for this development to come on stream?

Mr. Riggs: The York-Durham sewer was put in in the late 1970s.

Mr. Cornell: In 1979.

Mr. McKessock: The sewer line was put in back in 1979 to take care of all this development.

Mr. Riggs: The York-Durham sewer was put in for the two regions, both Markham and Durham. The Markham side of it is using up the capacity very quickly. You are quite right that it has been this side that has not used up the Durham capacity of that York-Durham sewer.

Mr. McKessock: The yellow on the left is Markham.

Mr. Riggs: Can I go over to that side? I have stayed on one side and I will proceed from east to west and explain the other segments.

Mr. McKessock: I want to ask a question about the agricultural land. How wide is that brown agricultural strip of land between Markham and the Seaton urban area?

Mr. Riggs: Mr. Beattie will answer that.

Mr. Beattie: Everyone makes his own guess. The distance between here and here is one and a quarter miles. That is a concession road. Between the red lines is the grid system in Ontario, which is one and a quarter miles. That space would range between one and two miles.

Mr. McKessock: It would be about four or five miles long. Is there mixed agriculture through that area? What is the prospect of that area remaining in agriculture as a greenbelt?

Mr. Riggs: That is up to the government to decide.

Mr. McKessock: Is it mixed agriculture?

11:50

Mr. Riggs: Yes, it is. It is class A.

One of the points I would like to develop here for you, if you are going to protect agricultural lands, is that when we look at these lands as developers, and I consider myself a developer in my own background, we look for natural boundaries. If you have a major road going through a piece of agricultural land, it is only a matter of time before something happens.

The brown we have shown as agriculture lies in both Markham and Pickering and to some degree in Scarborough. We have two major boundaries. On the right-hand side is Duffin Creek. It is not a major boundary, but it is there. It is a creek and it has a bit of a valley there. The really big valley is the Little Rouge Creek on the west side, going right on through Markham. Those are natural boundaries. If you are going to preserve any agricultural land at all, that is the logical place to take a stand.

There is a parcel of land in Markham which is split by a proposed east Metro transportation corridor. There is a proposal by the Ministry of Transportation and Communications to tie a future Highway 407 expressway with Highway 401 across the top of Metro. That future expressway must be on any lands in that area. Otherwise, if we wanted to develop those lands, it would be a requirement of the government to place that right of way through there.

The lands in Scarborough, in yellow, lying east of Little Rouge Creek cannot be serviced except by the York-Durham sewer. Scarborough is not a participant in the York-Durham sewer. The lands lying west of Little Rouge Creek, in yellow, can be serviced from the Metropolitan Toronto sewer and water system. That area is crossed by ravines and is probably one of the most beautiful pieces of land left in Scarborough. It is the only piece of land left in Scarborough. It is easily serviceable and it is under study today by Scarborough for development.

The municipality has indicated it is premature to develop the lands east of Little Rouge Creek in Scarborough, and they should be left in demonstration farms, a conservation area and recreational uses. In particular, there is a large marsh down there, which is wetlands and should be preserved.

The Markham land west of Little Rouge Creek is another interesting proposition. It has a major road going through it, and there is a small industrial plant. If Markham is to expand at all, it has to expand into agricultural land. It must go either north or east. If it goes east, it will go into those lands west of Little Rouge Creek. There have been numerous requests of the province to look at those lands.

Everything I have said about this is from my point of view as a developer. There is an interministerial committee looking at this project, but this morning I want to give the committee members some understanding of these lands. If you look at them as parcels and relate them to the communities in which these lands lie and not as a new community or a new town, then it seems to make more sense. Seaton is part of Pickering. It is not a new town; it is part of a community. Markham is part of Markham, and obviously Scarborough is part of Scarborough and Metropolitan Toronto. If you look at this from a developer's point of view, you can see it flowing out naturally in any kind of urban development scheme.

Mr. D. W. Smith: You made comments earlier about the federal airport lands. Have you had any discussions lately about what the federal government anticipates doing? I ask this mainly because I have heard that a possible expansion at Lester B. Pearson International Airport has just been announced. Is the government going to release that land, sell it back or hold it for ever? Have you had any discussions of late?

Mr. Riggs: We have had some discussions. I would like to be careful what I say here, because some of these discussions were held in confidence.

Mr. Callahan: It will all change in two years anyway.

Mr. Riggs: There are a number of smaller airports. I am quite sure you understand the regional grid of airports throughout Ontario, particularly around Metro. Airports such as Buttonville, Derry Road out at the Lester B. Pearson International Airport and the Toronto Island Airport all fit into a grid. There is some concern that this grid is not capable of taking care of air transportation in the years ahead, particularly if Buttonville decides to sell. It is in the middle of an urban community and if it sells, there will be a need to replace that capacity somewhere in the grid. There is a suggestion, and it is only a suggestion because I know it is a very sensitive item, that the North Pickering land could be used for some sort of regional airport to fill in the grid necessary for the capacity that is projected in the future.

The other problem for those who fly airplanes is that the runways at some of the smaller grids are not capable of taking some small jets. Since

these are on the increase, it may be necessary for that regional kind of airport to have a runway long enough to take the additional capacity. This is being considered but it could go the way of all plans--down the drain.

Mr. D. W. Smith: You are not talking about a major international airport.

Mr. Riggs: Not in my understanding.

Mr. Cornell: I would like to add one thing to the last item, and that is the kind of accident they recently had with the Mexican airliner over Los Angeles. The business of congestion with large aircraft and small aircraft is going to bring the whole thing to a head in the next five years more than anything else because it will become a matter of public safety.

Mr. Davis: Mr. Riggs, I would like to go back to my question. In the Seaton urban area, you are going to have multiple kinds of developments.

Mr. Riggs: Yes.

Mr. Davis: My question was, and I want to use Milton as an example, as a government body, did you tell Milton that you were going to put that land on the market and that there had to be certain kinds and types of housing even though that was in contradiction to its official plan?

Mr. Riggs: Can I clarify one point?

Mr. Davis: Okay.

Mr. Riggs: Talking about Milton, as far as I know no official plan approved by the province has such a clause in it. The official plans require a community of housing. To the best of my knowledge, no official plans have been approved in the province that say there can be only a single-family community.

Mr. Davis: I hear you saying that when this piece of property goes on stream, you will have block parcel land, for example.

Mr. Riggs: I anticipate that the province, in approving the secondary plan on Seaton, will require that a community of housing units be required.

Mr. Davis: Did you do that in Milton?

Mr. Riggs: In Milton we were not selling the land for housing. If we were developing the land in Milton for housing and submitting an official plan amendment, we would require that there be a community of housing. That would be my recommendation.

Mr. Davis: In any area where you sell and you are selling it for housing, your agency has the authority to say--I think the term you used was block, but whatever you used--how that land will be used.

Mr. Riggs: I have to be careful because the number of multiple housing units may vary with the topography and the location of the land. We would never say, "You can build only single-family housing," if we were selling land to a developer that subsequently had to go through an official plan amendment, but we might allow a lesser density than what you are talking

about because of the location of the land. Otherwise there might not be high-rise buildings in Scarborough on the ravines.

Mr. Davis: There probably would not be.

Mr. Riggs: That is right. We would require some sort of townhouses because we want a mix of housing. It is important. That has always been the stated requirement with community planning in Municipal Affairs. They may change their requirements, but at the moment they require a mix of housing in our communities. They set the rules, not us. That is the Ministry of Municipal Affairs under community planning. All their planning says that we must build communities and not subdivisions.

This afternoon, there is another presentation on mortgages. I thought that if we could continue talking on the land side, we could at some time this afternoon--I must apologize. Because of commitments outside the country, I may not be here this afternoon but my senior staff, which is even more knowledgeable than I about land, mortgages, marketing and planning, will carry on for me and answer any questions you have. I apologize to the committee but these commitments were made in the spring of 1986 or 1987.

12:00

Mr. Cornell: We made them in 1985.

The Vice-Chairman: Thank you very much, Mr. Riggs. We appreciate the way you carried on in spite of the many interruptions you had. You made an excellent presentation. We are sorry you cannot be with us this afternoon.

Mr. Callahan: May I ask him a question? It will be over in five minutes..

The Vice-Chairman: I do not think you can. We have a couple of things on which to advise the committee and it is after 12 o'clock now.

Mrs. Marland requested a while ago that we have somebody from the Ministry of Industry, Trade and Technology this afternoon. We have checked on that. The people we think we should have are either out of town or at a meeting until four o'clock, so it would appear we will have to discuss this again at some later date, Mrs. Marland. This afternoon we will not get through with all the questions and discussions we will have, so it appears, Mr. Riggs, that we will probably have you back some time after the House reconvenes.

Mr. Riggs: I will be delighted to come back.

Mr. Callahan: In the light of the fact the gentleman is not going to be here this afternoon, I have two quick questions.

The Vice-Chairman: Very short.

Mr. Callahan: You bought the land in North Pickering in 1972. What did you pay per acre?

Mr. Riggs: It cost about \$15,000 an acre. Mr. Beattie, please.

Mr. Beattie: The land was bought at appraised value and it ranged, early on, from as low as \$3,000 an acre in the northeast of Pickering to as high as \$18,000 or \$19,000 an acre in the southwest in Scarborough. There was

a complete range and it was the market value at the time for the location.

Mr. Callahan: What is the total acreage?

Mr. Beattie: There are some 20,760 acres.

Mr. Sargent: Within the next five years, they are going to fold up the whole operation. That is the mandate from the minister. Is that right?

Mr. Riggs: No, sir. As of March 31, 1987, all the lands we own today will be transferred to the Ministry of Government Services and it will fold up the whole thing. We will be folded as of March 31, 1987.

Mr. Sargent: I see. In another six months, you will be some place in Florida.

Mr. Riggs: No, sir. I will be over at MGS trying to do the same thing.

Mr. Sargent: What is the total anticipated value of the two portfolios, the mortgage and land corporations, you are now holding?

Mr. Riggs: I believe the total value now is about \$600,000. The land inventory that covers leases, land and properties is \$270 million. The mortgages and loans, which we hope to talk about this afternoon, are \$345 million. These are figures taken as of June 30, 1986. We have some cash and marketable securities of about \$121 million so our total assets are about \$738 million today.

Mr. Callahan: Those are real values now.

Mr. Riggs: These are real values. At the moment, because of the changing market conditions since we took the appraisals, they are probably on the low side.

Mr. Sargent: There is a potential of \$1 billion.

Mr. Riggs: There is a potential of \$1 billion.

The Vice-Chairman: We are going to have to break for lunch now, but Mr. Smith wants to bring a matter before the committee before we break for lunch.

Mr. D. W. Smith: At the last meeting or second to last meeting my colleague, Mr. McKessock, wondered whether we would have a meeting on September 16 because of the ploughing match. Has any decision been made whether we can cancel the September 16 meeting.

The Vice-Chairman: I am in the hands of the committee. We have that day scheduled.

Mrs. Marland: We all have events such as this all the time. I would like to accommodate the ploughing match, but I am missing something to accommodate this committee and did not make a request to change it for that. Is it difficult to get a substitute?

Mr. D. W. Smith: It is possibly more difficult on the government side than it would be on the opposition side since there are so few of us.

Mrs. Marland: You have only three fewer than we do.

Mr. Davis: If the government side has trouble getting a substitute, and I will bow to the chairman's advice on this, I suggest the committee agree that on that day no specific votes will be taken that would embarrass the government or one of the other parties. Has that not been done before?

The Vice-Chairman: We are losing members fast. Would that be agreeable? If you cannot get a substitute, we will not take any votes on that day that would be embarrassing to the government.

Mrs. Marland: I agree with that.

The Vice-Chairman: We are scheduled for that day. Will that be satisfactory?

Mr. D. W. Smith: Thank you.

Mr. Mackenzie: I understand the Ontario Lottery Corp. will be here on Tuesday and Wednesday. Is that right?

The Vice-Chairman: That is what I understand.

Mrs. Marland: We are finishing this morning's session with the understanding that Mr. Riggs will come back at a future date with someone from the Ministry of Industry, Trade and Technology. There will not be any decisions on the OLC until we hear from them together.

The Vice-Chairman: We will have to come back. There is no question about that.

Mrs. Marland: Okay.

The committee recessed at 12:06 p.m.

STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO LAND CORP.

THURSDAY, SEPTEMBER 11, 1986

Afternoon Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Ashe, G. L. (Durham West PC) for Mr. Gregory

Callahan, R. V. (Brampton L) for Mr. South

Davis, W. C. (Scarborough Centre PC) for Mr. Rowe

Grande, T. (Oakwood NDP) for Mr. Hayes

Sargent, E. C. (Grey-Bruce L) for Mr. Poirier

Clerk: Arnott, D.

Staff:

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Cornell, W., Deputy Minister

From the Ontario Land Corp.:

Johansen, P., Director, Marketing and Sales Branch

Kusel, D. W., Manager, Corporate Planning Section

Beattie, A. C., Director, Planning and Development Branch

Grant, R., Director, Mortgage Administration and Services Branch

Paradis, J. C., Director

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Thursday, September 11, 1986

The committee resumed at 2:12 p.m. in room 230.

AGENCY REVIEW: ONTARIO LAND CORP.
(continued)

The Vice-Chairman: Ladies and gentlemen, at the risk of the suggestion that my eyesight is not as good as it should be, I am going to see a quorum, and we will start the discussion. I will try to be less difficult to get along with than I was this morning. I was trying to get Mr. Riggs's presentation over before lunch and I had to cut off a few questioners. We managed to get him through a very fine presentation, I thought.

Mr. McKessock: You did a good job.

Mr. Callahan: Did somebody say something offensive to you, Mr. Chairman? I thought you conducted a marvellous meeting this morning.

The Vice-Chairman: This afternoon we will ask questions in a more leisurely fashion, and there will be more dialogue. As long as we do not have any real political squabbles and everybody shares the time, I will be very lenient this afternoon.

Mrs. Marland: I get privileged time, obviously, if I face these three gentlemen.

The Vice-Chairman: We have the Deputy Minister, Mr. Cornell, here this afternoon.

Mr. Callahan: Let the record show that Mrs. Marland is the only opposition member here. We will start off with that.

The Vice-Chairman: We are going to put Mr. Cornell on the spot, and any comments he wishes to make to us, any introduction he wishes to make, any people he wishes to call forward to give the information you need will be his responsibility. Mr. Cornell, it is in your court.

Mr. Cornell: I will just sort of choreograph the ministry people.

[Failure of sound system]

Here to finish off the questions you might have are Andy Beattie, director of planning and development, and Peter Johansen, director of marketing and sales. When they have answered any questions you have, there is Ralph Grant, director of mortgage administration and services, who will do a presentation on mortgages. Are there any questions?

Mr. Callahan: This could be the shortest session of the day.

Mr. Sargent: I did not get the marketing manager's name.

Mr. Johansen: Peter Johansen.

Mr. Sargent: Peter Johansen. Peter, in marketing do you retain a real estate firm in the sale of lands or acquisition?

Mr. Johansen: In some cases we do. We have (inaudible) for sale, and we (inaudible), and we are also (inaudible) the (inaudible). In some of our--

Can you hear me?

Mr. Sargent: Yes. I hear you fine.

Mr. Johansen: In some of our land assemblies, especially those that are (inaudible) Toronto, we do hire local real estate brokers to list. In the listing of (inaudible) one, two or three listing agents (inaudible) farm land sales (inaudible). We also sell (inaudible) properties. We do that (inaudible) multiple listing service (inaudible), where any salesman can sell the property and--

Mr. Sargent: So you are not married to any one company.

Mr. Johansen: We are not married to any one company. In fact, we do not have any one company currently employed. We have used several approaches to listing properties, especially (inaudible). In the Haldimand-Norfolk area the sale of our farms in that area (inaudible) five years, specifically farms, (inaudible) five top farms, with firms on the basis that they would be multiple listings (inaudible) itself, so we would centralize it with them. In the case of (inaudible) would be the case, as in Oshawa--

[Failure of sound system]

Mr. Sargent: I asked the question because I recall that in Haldimand-Norfolk, Nanticoke was in the motion. I thought LePage had an exclusive on that.

Interjection.

Mr. Sargent: I am trying to think. How did you acquire them? Who made the deals for the land?

Mr. Johansen: I could only guess and I would not know. I was not there--

Mr. Sargent: I understand. Nobody gets a plum.

Mr. Johansen: Absolutely not.

Mr. Sargent: As I recall, they were getting five per cent.

Mr. Johansen: --farm land acquired properties (inaudible) development land, you have to use brokers, and that is, first of all, you have got a development. Second, you have to have experience in that kind of real estate. Third, there has to be some way (inaudible), and usually that--

Mr. Sargent: And you give them the guidelines.

Mr. Johansen: Yes. We also look to see what is the sale record on the company. If one company has sold twice as much agricultural farm land over a five-year period, then that is the kind of firm we go--

Mr. Sargent: Thank you very much.

The Vice-Chairman: We have some trouble with the recording system, so we have to do a little repair work. We will take a one-minute recess.

The committee recessed at 2:17 p.m.

14:18

Mr. McKessock: If it is multiple listings, then any company can--

Mr. Johansen: That is correct. When I talk about a group listing, maybe I can elaborate on that for a moment. In South Cayuga there were five brokers in the immediate area, all of whose sales were very close; and there were only five. We took all five and listed with the five, but it was listed with the five on an MLS basis, which means they would co-ordinate the showings of the property with other brokers instead of our trying to do that from Toronto. We cannot provide that kind of service of somebody looking at it. So anyone can pick up the selling part of the commission, whereas the group of local brokers will share the selling part of the commission, which is usually 45 or 55.

Mr. McKessock: Would it not have made it unnecessary to appraise a lot of these properties if you are going to sell them by--

Mr. Johansen: The difficulty we have had, and especially over the last 18 months, as I am sure you are aware, is that appraisals are based on history. The way real estate has been over the last 18 months, last year's and last month's information are almost irrelevant. We have a special need in the Cayuga and the Nanticoke areas to make sure it is market value, because we are selling directly to tenants and we must be able to support that the price paid is the fair market value. That is the first point.

The second point is---

14:20

Mr. McKessock: Even though you are selling through a real estate agent?

Mr. Johansen: No. The tenant purchase program is this: The first chance on farm A, in either of those assemblies, is to the current farmer who has the land.

Mr. McKessock: I see. At appraised value.

Mr. Johansen: At appraised value. Should he not wish to purchase that farm, it is listed again at the appraised market value. We have a relationship with the local committee down there, as well as with the brokers, to make sure we do not put too many farms on in the area at one time. In Cayuga you cannot put too many on. It is a very slow market.

I would add that in both of those cases those listings are not only with the local real estate board, they are also interboarded through the Hamilton board in one case and the Brantford board in the other. There is not just one group of realtors; it is a large section.

Mr. McKessock: You talked about giving the tenants the first offer. That is whether they are the previous owners or not?

Mr. Johansen: Yes, we do not differentiate between a tenant who was an original owner and one who was not. It is just a tenant.

Mrs. Marland: While I do not believe that any level of government should be in the business of land banking--

Mr. McKessock: Hear, hear.

Mrs. Marland: --I certainly have some concerns about the decision, as I heard it this morning, to try to eliminate the Ontario Land Corp.'s inventory; and in the long term this is why I will look forward to discussing with another ministry the concept of whether it is in the best interests of the province, having made the investment originally and having made the commitment on behalf of the people of the province, now, in the short term, to relinquish all of it. I can certainly see there is no question with Pickering, which has prime development potential. Those are not the areas that I will look forward to pursuing.

This morning we were going through the different areas, and that is why it would be helpful to have a copy of the overhead slides to which we could refer.

Where municipalities have acquired the land from the province, that comes on the normal circulation notice. As a previous regional and city councillor, I am familiar with that process. What I am not sure of is whether the region or the municipality always pays the market value.

Mr. Johansen: The policy is that the municipality pays market value. Let me see whether I can recall some instances. The sale last year of land to Brantford was above market value. A recent sale in Kingston was slightly above market value. I do not recall any sales to a municipality or a region at less than market value.

Mrs. Marland: Okay. This morning when Mr. Riggs was talking about Brantford, and I think quite a portion of that was going to be industrial.

Mr. Johansen: Yes.

Mrs. Marland: Was the market value that the municipality of Brantford paid on the rezoned land or the value designated in the official plan?

Mr. Johansen: It was based on the current market value of the land, as designated at the time--

Mrs. Marland: As designated.

Mr. Johansen: Yes, as designated at that time. I believe the price it paid was \$3,000 an acre. I believe the appraised value was slightly above \$2,000 an acre. Their original intention in Brantford, as I recall, was industrial. I believe they are now changing that pattern because of the growth of that area of the city. It may well go residential. We have the remaining 500 acres adjacent to it, of course, so our position on the city's involvement is that it can only serve to help us.

Mrs. Marland: Okay. If we retained 500 acres approximately, what did we let them have? I have forgotten the figures from this morning.

Mr. Johansen: Rather than guess, I have the exact figures. Three hundred and fifty-four acres were sold at \$3,000 an acre. There was also one small sale to Brantford township of two and a half acres at \$4,951 an acre.

Mrs. Marland: Would it be fair to say that, when the rezoning has gone through on that industrial land and once it starts to develop, the value will be more than \$3,000 an acre?

Mr. Johansen: I would think that when the city has rezoned that land to residential, it would be substantially more than \$3,000 an acre. If it is rezoned industrial and if they have a user for it, I would agree. The problem in many municipalities is that even though it is zoned industrial, as I am sure you know better than I, there is no demand for it.

As I say, the original intention of an industrial sale, I believe, is being rethought in the city of Brantford, but I say that only on hearsay.

Mrs. Marland: I am using Brantford only as an example; I am sure this can be looked at in any of the property the Ontario Land Corp. owns. Would we not be better to take it to the stage where we are selling lots to a builder so that we benefit from that increased per acre value rather than sell it to the municipality and let it be the developer?

Mr. Johansen: In many cases in Ontario that is correct. I would have to take a little time to answer this question, because it is not an easy answer. In the case of Brantford, when that sale was made, the growth was not there, and to have undertaken an extension of services that would have been major at that time to open that area up would not have been economically feasible.

Things have changed in Brantford--not to the extent that you would want to invest a heavy amount of money to do it, but there is considerable interest in the city's lands for residential, and there is also interest in ours. In that case you might find that that equation would pay.

Obviously, in Scarborough, Malvern and Pickering yes, the net dollar return to the province would be higher if you serviced it to that level. In other cases the return to the province is the same at the draft plan level as it is if the actual pipes are put in the ground. That is a phenomenon that has been in existence only for about the last year, and that is because serviced lots are at a premium, builders want to get hold of them and they are prepared to forego the land development profit to put it into the housing profit. It would depend on where the municipality was.

Mrs. Marland: And on the market situation within that given year.

Mr. Johansen: Yes.

Mrs. Marland: So the corporation has no policy dealing with the dispersment of inventory. You look at each parcel, and that year and in that market.

Mr. Johansen: Yes. We look at each parcel in that year and in that market. We do two independent appraisals, one on what the value of the land would be at a draft plan level and another on what the value of serviced lots would be. We consider what the development costs would be and then figure out whether we would get a reasonable return on that expenditure of additional funds. If that rate were 20 per cent or above, then you would consider it; if

it were less than that, then obviously you would not. In many of the cases in the Metro areas there is no return on that middle investment if you have taken it to the draft plan level, but it does vary with every municipality. We do not have a common denominator in it, unfortunately. I believe that when the current market levels off, this will not be the case any longer; the profit will go back into the land development portion.

Mrs. Marland: When the corporation was formed 12 years ago, in 1974--

Mr. Johansen: In 1978.

Mrs. Marland: In 1978? The thing is the minister's statement has a typo that is written over in mine, and it looks like 74.

14:30

Mr. Kusel: It was created in 1974, but not operative until 1975; somebody can be correct me on that.

Mrs. Marland: It says it was formed to manage and develop residential, commercial and industrial land owned by the province. When was the decision made to get rid of the land? Is it a mandate to get rid of everything?

Mr. Johansen: I will have to break that down. There was a cabinet decision made three years ago. The decision was with respect to what we at that time called land banks and land assemblies, and they were broken down into different categories. For those assemblies that fell into those categories for which there was not at time felt to be a future, such as South Cayuga, the Nanticoke surplus, Whitby, Milton and Ottawa, we were asked to devise a program to sell those lands back as agricultural lands and with the current farmers having the first right.

Subsequent to that, all lands still go through the same review and the decisions process because the Ontario Land Corp. is divesting itself of its lands. Really the question that is of concern is at what stage you are doing it. Are you doing it as farm land, planned land or serviced land? That is a constant re-evaluation of every parcel of land before we sell it.

Mr. Cornell: May I just, in answer to the earlier question, say this. My staff advise me that in 1974, it was created as a holding company in Treasury, and in 1978 it was made into the development corporation and moved to the Ministry of Housing. Have I said that correctly?

Mrs. Marland: Really, it has only been active since 1978.

Mr. Cornell: Yes.

Mrs. Marland: Okay. First of all, what is the acreage in Pickering? I did not get that down. I got the acreage of the federal government as 27,000 acres.

Mr. Johansen: The north Pickering planning area is approximately 25,000 acres, of which the province owns slightly fewer than 20,000--

Mr. Beattie: Slightly more than 20,000--20,700, I believe. The corrected federal figure is 18,000 acres.

Mrs. Marland: Oh, not 27,000.

Mr. Callahan: Is that out at the airport that you are talking about?

Interjection: Yes, those are provincial lands.

Mr. Callahan: I am sorry, Mrs. Marland.

Mrs. Marland: The federal land, Mr. Callahan, is 18,000 acres and the provincial land is 20,700.

Mr. Callahan: That is how you come to the 25,000.

Mrs. Marland: No, that way you get to 38,000.

Mr. Johansen: There are lands within what they call a planning area that the province does not own, but they are still in the planning area.

Mrs. Marland: Did the province acquire its more than 20,700 acres in north Pickering at the same time the federal government was acquiring its lands?

Mr. Beattie: It was done during the same general period, which stretched from about 1972, when there was a simultaneous announcement of intent. The province proceeded to purchase, and both levels of government were envisioning expropriation as a last resort. The federal government expropriated first, and the provincial government expropriated later. The province's acquisition stretched over a two-year period, but they were both announced on the same day.

Mrs. Marland: Are you saying the 20,000 acres was expropriated?

Mr. Beattie: A large part of it, yes.

Mrs. Marland: Wow. My concern is that since the federal government has not relinquished their original intent to have an airport there, as far as I have heard it, and from Mr. Riggs' comments this morning, they are still looking at using it for that purpose, recognizing, as a matter of opinion, that it would be as big a mistake as the Dulles International Airport outside Washington or Mirabel or whatever examples you want to give of similar airports.

Mr. Callahan: I thought you were going to say "had been purchased."

Mrs. Marland: Before you came in, Mr. Callahan, I said I hoped you would not be here this afternoon because then we could keep the committee nonpartisan.

Mr. Callahan: I heard you. I am just trying to keep you guys smarter.

Mrs. Marland: Mr. Sargent, Mr. McKessock and I had quite a gentlemanly agreement.

Mr. Callahan: It got so bad that Eddie left.

Mrs. Marland: I have a concern if the federal government still has the intent to build an airport in Pickering ultimately. The sensitivity of the development of our lands, albeit I recognize the planning and the actual

designation of what will go on those lands is not a provincial jurisdiction except in the final approval stage; it is the local municipality's decision--you have to wonder whether, having expropriated the lands--I am sure at the time they were acquired it was not primarily for residential development, it was for use in conjunction with an airport terminal.

Mr. Johansen: The plan was developed for both. It was for residential, commercial and industrial, the full range.

Mrs. Marland: As it related to the function of an airport.

Mr. Johansen: The industrial may relate to the function of an airport, but the intention was to have residential, to be a new community.

Mr. Beattie: It was appropriated for a community development, which is still being finished.

Mrs. Marland: In the planning process, it is more Pickering's land than Markham's that would be affected by an airport, is it not?

Mr. Beattie: I think all land surrounding the airport will be influenced by an airport, and people will take that into consideration.

Mrs. Marland: From what you have seen of the planning, do you think the concerns of development adjacent to an airport are being addressed?

Mr. Beattie: Yes, they are being addressed now. The regional plan for the region of Durham recognizes land adjacent to the federal land as industrial. The reason is not only the airport but also the probable location of Highway 7 and Highway 407, which tends to dictate industrial development, because it is flat, and because you are trying to avoid noise problems. In that sense, it is almost independent of an airport.

Mrs. Marland: Were some of the expropriations large farms?

Mr. Beattie: The lands out there range all the way from houses on severed parcels to traditional farms to groups of farms that had been bought by speculators. There was a whole range in there.

Mrs. Marland: Were any of the expropriations directly from the farmer or were they from the speculative owner?

Mr. Beattie: They were both.

Mrs. Marland: You have to feel somewhat for the farmers whose land was expropriated in that case, vis-à-vis the areas we were talking about in Cayuga and Nanticoke, where it was not an expropriation, it was a sale. Now they are having it offered back to them. Obviously, the farmers who did not choose to relinquish their farms in the Pickering area but were expropriated do not have that choice, do they?

Mr. Beattie: No, they do not.

Mrs. Marland: When you are looking at selling government land around the province now, and I come back to the Cayuga-Nanticoke area, we heard this morning it is a depressed area because of the tobacco crop. I do not know enough about farming to know what other crops might be feasible, but another crop was mentioned this morning. However, it is not enough of a producer to

make it feasible in terms of the value of the land, from what I heard this morning. Does the ministry responsible for the OLC ever discuss with other ministries alternatives to help those farmers? We are saying to those farmers now--we in the sense of the royal we, a corporation of the provincial government--"You can buy your land back and it is not going to cost you very much compared to what you sold it for. We are giving you back something that is virtually worthless." Is there any interministerial address to the concerns of those people who are now being offered their land to give them alternative uses for it, particularly in the area of farming?

14:40

Mr. Callahan: In Nanticoke or Cayuga?

Mrs. Marland: Either.

Mr. Callahan: In Nanticoke they are picking up a \$2,000 profit on getting them back. They sold them for \$3,000 and they are buying them back for a third. They are really getting a considerable benefit from buying them back.

Mrs. Marland: (Inaudible) dealing with Cayuga.

Mr. Johansen: There is a committee established that formulates policy and assists the OLC with regard to the sales. Representatives on that committee range from the Ministry of Agriculture and Food, the Haldimand Federation of Agriculture, the Christian Farmers Federation of Ontario, the Norfolk Federation of Agriculture and the Ministry of Government Services. They discuss all the local issues under this program, but if your question is whether there is a program to assist farmers wishing to buy, the answer is no, there is not.

Mr. Cornell: I may be incorrect on this, but was there not an announcement this week from the Ministry of Agriculture and Food to the effect that it was looking into a program to help farmers, particularly in the tobacco area, to find ways of developing new kinds of crops?

Mr. Johansen: Anything the Ministry of Agriculture and Food is doing is on a provincial basis. If you are asking me whether there is a special program, there is nothing special for Cayuga or Nanticoke as distinct from the rest of the province.

Mrs. Marland: Did we hear this morning that if they are currently tenants on those lands, and because they are in a depressed area they do not have the means to buy back their lands, they are going to be allowed to continue as tenants?

Mr. Johansen: We have leases that currently have an expiry date anywhere from now through the next five years. Right now, we have offered all tenants in both assemblies the opportunity to purchase their lands. If they are interested they contact us, we arrange an appraisal and we meet with them. We have had two open houses down there to try to answer their questions. We also had a couple of vacancies.

If tenants express an interest in buying, we sit down and talk to them. If too many tenants indicate that they do not wish to buy, and we wind up in a position, which is quite likely, of having too many farms to sell, we re-lease the farm, and one year prior to the expiry of the new lease, the tenant has another chance to purchase the property.

Mrs. Marland: What would the new lease term be?

Mr. Johansen: Depending on the piece of land, it could be a two-year, three-year or one-year lease. In many cases the farmer will say, "I think I will be in a position to purchase the farm in a year," and we will renew the lease. As I say, our best customers are our tenants, and with 23,000 acres, we try to be as flexible as we can. We are not trying to dispossess anyone.

Mrs. Marland: If they wanted as long as a five-year lease, are you a little strangled by this mandate to have them dispensed with within the five-year time frame?

Mr. Johansen: We have not included the Cayuga assembly and the Nanticoke assembly in the five-year program because of the size of the parcels, that is, 23,000 acres. We do not intend to sell that off. It may go ten; it may even go longer than ten. The intention was to sell in accordance with our market share and not to put more farms on the market than the market could absorb and thereby deflate the value of privately held farms in the area. It will not be a five-year program.

Mrs. Marland: What do you mean when you say within "our market share"?

Mr. Johansen: If there are, in any given month, 12 farms for sale in Cayuga, we certainly do not want to have 10 of them. We look at that along with this group of realtors, and whatever the number is, and if we have 20 per cent of the agricultural lands in that area, then we would try to keep somewhere close to 20 per cent of the listings that were on the board at the same time, and it is changing drastically. We have some opportunities now for listing down there and quite frankly the advice is that we have a little bit too much on the board. Not from us, but just in general, so we will back off in that case, re-lease the land out and come back at it again.

Mrs. Marland: Would it be accurate to say, if I were a farmer in that area, that I did not run the risk as a tenant of losing the farm?

Mr. Johansen: I have to separate that. Could I just take the liberty of separating the question into two parts?

If you are a land tenant, in other words you are a resident farmer somewhere else but you were leasing land from the corporation, you may. If you are a tenant farmer who has his home and his home base there, we will do the very best we can not to. But if we continue in the policy we have, at some point the man does not want to buy and the policy is to sell, yes.

With the amount of land and the number of options we have to try to pick and choose in the assembly, the main direction is first to try to go into areas where the man does not want the property. Second, if we are going to get in a position of listing property where the tenant does not want to be, we try to go with the land part of it, because the farmer has his base in another area. This is simply extra land.

Mrs. Marland: When you say in another area, do you mean outside of the Cayuga area?

Mr. Johansen: Outside of our assembly, not owned by the Ontario Land Corp.

The difficulty in Cayuga is that we have very few farm units, house, barn and outbuilding. We have mostly land only.

Mr. McKessock: What happened to the buildings?

Mr. Johansen: When the land was purchased, the buildings were usually severed and kept. I do not have the acreage here, but I think 90 per cent of our holdings are in land only. That is a different market from mine. When we are talking about farms, we are not talking about what you might normally perceive that to be.

Mr. McKessock: If the house has been severed, is somebody living in it?

Mr. Johansen: Yes.

Mr. McKessock: So there are severed lots outside of your land bank then?

Mr. Johansen: Yes.

Mrs. Marland: Can I ask you about the Oakville property?

Mr. Johansen: Yes.

Mrs. Marland: Because of our questions and interruptions, we were rushing Mr. Riggs this morning, and I think he said that because of the market and because of the value or something, you were not doing anything with it at the moment. I would like you to explain the decision on the Oakville property because, without seeing the Hansard of what was said this morning, it seemed to me that we have a booming market in Pickering and we are going ahead, and we have a booming market in Oakville and we are not.

Mr. Johansen: There is a major difference. Let me try to explain.

In the Pickering area, the services and the official plan of the region and the municipality are such that the land is "ready to go" both in terms of planning approvals and in terms of the hard services required. In the case of Oakville, it is not. We have two parcels of land in Oakville totalling 1,260 acres. Of those parcels, 100 acres lie below Highway 5 and the remaining land is above Highway 5. There is considerable activity in Oakville below Highway 5. The official plan is undergoing a review which encompasses our parcel of land plus other lands below. We are aware there is land adjacent to our bottom 100 acres that is now on the market at twice the price, and will sell at that. We just do not feel, today, that this is the opportune time to enter into any massive sales of that particular piece of property.

The top piece of property is also subject to review in terms of exactly where the extension of water services will go. If I can use my hands for a minute, at one point, it was thought that the sewer and water would come up like this and eventually wind up at that land. There is a possibility that it may come up another direction and if it does, then it would abut the bottom of our land. Again, if this were to happen in a year or a year and a half, then we would obviously have foregone a considerable increase in price.

The intention is not that we hold it to put through a development process similar to Seaton, but rather we hold it until more is known about its

position on the official plan. Currently, its position on the official plan is such that it could be used for rural-industrial with no change in the official plan. With a change in the official plan it could be used for industrial, and there is a good possibility that its current time frame of 15 or 20 years for growth could compress; we just do not know. The point Mr. Riggs was making is we want to know more before we sit down and try to set up a marketing program for the piece of land.

14:50

Mrs. Marland: Carleton has not completed its official plan?

Mr. Johansen: To my knowledge, it is still considering the bottom portion of it. The Glen Abbey community, I believe, is here. We own, as I say, just one piece of land below. That 100-acre piece could be subject to some change for the positive in an official planning review. The top portion of it--the bulk of it, the 1,100 acres--is not under a major official planning review now, but could be in the future.

In comparing them again, in the Seaton area you are several years advanced in term of planning approvals and servicing availability, so therefore the decisions are being made on a strictly economic basis, what we know and we know what the land is worth.

In Oakville, there is one period where we are not totally sure and we would like to be more sure.

Mrs. Marland: You are hedging your bets until you know what the greatest value is going to be.

Mr. Johansen: Yes.

Mrs. Marland: However, you have that information on the east side in the Pickering-Markham area, so it is not an unknown gamble. It still points out that perhaps in the long run the Ontario taxpayer is better off if we hang on to these lands and get the highest and best value because they are closer to the development stage; I mean for the sake of unloading them within a given period at this point.

Mr. McKessock: You would have to add the provincial interest to that, which is what?

Mr. Callahan: Use that money to pay off the deficit and save the interest on that part of the program.

Mr. Davis: You can just write it off.

Mr. McKessock: The cost of carrying it would be plus what, 11 per cent or so?

Mrs. Marland: That is the point. How much of the land do we own and how much of it are we still buying?

Mr. McKessock: It does not matter whether you own it or are buying it, it is still going to cost you 11 per cent or whatever it is.

Mrs. Marland: Yes, but it is not exactly that.

Mr. Johansen: I will just jump in the middle. If currently our book value is X dollars an acre and we calculate computed capitalized interest between now and 10 years, the question is, at the end of that, do we still show a positive return? That would vary from assembly to assembly. In the case of Oakville, it may well; in Cayuga it would not; and in Nanticoke it would not.

Mr. McKessock: Could we have the interest rate?

Mr. Elkin: I could only guess at the provincial interest rate. The Treasury would be in the best position to give that answer, but let us assume it is around 11 per cent. It would cost you 11 per cent on the money which you would otherwise get if you were going to sell it. That is your cost.

Mr. Callahan: Unless the capital value rises by 11 per cent per year, it would be wise to sell it now.

Mr. McKessock: Then you would only break even.

Mr. Johansen: There are two decision points. The first decision point, which is where the corporation is now in thinking about Oakville, is an easier one. If we hold back for a couple of years, at least to get a good look at it, then the loss is going to cost us about 20 per cent additional capitalized interest. There is no question that the increase in land value will cover that off. At that point, the harder decision is to project it ahead. That is another level of decision, when you start to get into capitalized interest. In a metro area, it may well prove out that way.

Mr. D. W. Smith: You said 90 per cent of your holdings in the Cayuga properties are land; therefore, 90 per cent of those properties had buildings severed off when you purchased them. Was the severance of those buildings part of the selling price to those owners or was it revenue to you after you made those deals?

Mr. Johansen: As I understand it, in assembling the Cayuga property, the province did not purchase the buildings and the houses. It just purchased the land.

Mr. Callahan: Did they get it for free?

Mr. Johansen: The land?

Mr. Callahan: No, the severance. It was probably part of the package.

Mr. Johansen: I really cannot answer that.

Mr. D. W. Smith: They got \$3,000 an acre and the right to retain their buildings. Is that what I am hearing?

Mr. Beattie: More or less. I cannot remember the exact details.

Mr. D. W. Smith: So they got a damn good deal.

Mr. Johansen: I am sure they did.

Mr. Callahan: Are you monitoring very closely any assignments of leases in the Nanticoke area? As this becomes public knowledge, as I am sure

it is already, I would hate to see some of those farmers down there visited by a smoothie from the city who might say, "I will take an assignment of your lease." As it stands, if somebody were to do that, he would have a very significant advantage in being able to buy this property back.

Mr. Johansen: There are two answers to that. First, there should be no advantage to anybody wanting to do that because there is an abundance of farm land on the market and the price being paid is market value, not another created value. It is the market value of the property.

Second, we scoop any farms that come up where the current tenant is gone, because they are vacant properties. We put them on the multiple listing service to sell them. That is our first area of search.

A question has been asked of the corporation with regard to the rights of a family member. For example, if a father and son have been farming for a number of years and the father is up in years, does the son have the right? The corporation is going to consider that next month. With respect to another tenant coming in to get the benefit, I do not believe there is a benefit there.

Mr. Callahan: The other thing is north Pickering. I would like to follow up on what Mrs. Marland said. I indicated we have property there that could go up or down if the federal government decides to put in an airport. What kind of an airport was it talking about, a full-scale airport or what?

Mr. Beattie: Originally, the federal government talked about a full-scale airport. That has gone off into limbo. It is now considering what Mr. Riggs discussed, whether the pressures on the whole airport system in southern Ontario will require another site to be created at some time in the future, as Buttonville and all these other smaller airports come under pressure. Can the pressure on the total system be relieved by another airport site? That is the exercise the federal government is going through. It has not made any decision other than to consider, since it has that available site, whether it wants to use the site to handle some of the pressure that is building and can be demonstrated in the system.

Mr. Johansen: The second part of your question relates to the value going up and down. The 6,900 acres, known as the Seaton portion, is extremely valuable today, whether or not there is an airport. Should an airport go in--and I have no knowledge of that--it would serve to expedite and to speed up the length of time it would take to develop.

15:00

Mr. Callahan: In my riding, there are lands, near Bramalea, around the Lester B. Pearson International Airport or in the flight path, and we have constant complaints about the aircraft going over. That will, of course, depend on the type of airport they are going to build, whether for big jets, small jets or whatever.

Mr. Beattie: There are two issues on that. First, in purchasing the 18,000 acres, the federal government has confined most of the noise to the airport site.

Second, because it was planned in conjunction with the province, the province has imposed zoning orders on lands that fall under the flight path, and there are no developments being approved under any of those noise zones. If you get in there with that type of planning ahead of time, it is the

intention of both the federal and the provincial governments to avoid the problems that have cropped up around Pearson International.

Mr. Callahan: I know what you are saying, but you obviously do not live in Bramalea. Even with all those protections they have under Pearson International--I do not know what they call them--they do not solve the problem, because as planes come in on particular nights or so on, they cause considerable noise in the backyards of these people.

Mr. Beattie: I know, but there is a considerable difference. I do live in the west end, and the noise cones do encompass urban areas around Pearson. The noise cones would not encompass urban areas around the new airport. They would not allow anything under there.

Mr. Callahan: Yes. You said there would be industrial to buffer it. When these sales are made, will that be a condition of the sales or will you leave to the local planning process what they put there?

Mr. Beattie: It is recognized in the local planning process and it is imposed by the province on municipal plans. For instance, you cannot plan a subdivision but you can transact land underneath that.

Mr. Callahan: I did not realize that, but in reading some of the briefing material, going back to Cayuga, the impetus for Nanticoke and for the enlargement of Cayuga was the enlargement of the Stelco, Texaco and Ontario Hydro operations. I may have read the briefing material too quickly, but I gather that they did go in--did they?--and that it is the depressed market in steel and oil--certainly not hydro--that has slowed down the growth of that area.

Mr. Beattie: Stelco has invested \$1.2 billion in a world-class steel plant. I have been asked what is the major factor before. I think it is the inability to expand that steel operation to secondary products that would bring other manufacturing and a high level of employment. What they have there is a basic steel plant. They ship that basic steel back to Hamilton for further processing, because the world steel economy has gone down. That was not their plan.

Mr. Callahan: I understand as well that some people who work at that plant drive 50 miles to Hamilton each day--I do not know whether that is one way or a round trip--to go to work.

Mr. Beattie: That is correct.

Mr. Callahan: Was there any consideration given within the formulation of this policy to creating housing there at a cost that was more attractive than it was, either on a straight sale basis or on what I always liked and thought was a tremendous program, one of the few brought in by the former tenders of this province, the home ownership made easy program, which got zapped up in an election. Our concern is housing, obviously. Was there any consideration given to looking at that in terms of some form of leaseback arrangement and trying to lure people there rather than having them drive 50 miles back and forth to Hamilton where the houses, I am sure, are \$150,000 to \$200,000 each?

Mr. Johansen: That was one of the intentions of the Townsend community when it was first started, and there is still a substantial price variance between a new home in the Townsend area and--

Mr. Callahan: It is \$60,000 to \$120,000, but that is still a lot of money for young couples.

Mr. Johansen: Yes.

Mr. Callahan: If you had it on a leased-land arrangement, since the land is the most expensive commodity, you could probably bring them down far below that and attract these people there. In saying that, I gather the services are within the subdivision that is currently occupied in the Cayuga area, and it is sufficient to enlarge that. If it did go to the 40,000 people as envisaged by Mr. White, then it would be a matter of bringing up water from Lake Erie and so on. Was it ever considered that they might be able to attract people there and--who knows?--maybe spinoff industries too?

Mr. Beattie: The attraction was supposed to be from the economy, and I think basically that was it. There was no special HOME-type program in effect. As Mr. Johansen said, there is a significant difference in price, but it does not seem to be enough to overcome the commuting, although a lot of people have moved down. It becomes a matter of personal choice.

Mr. Callahan: Let us take that a step further. If you are going to sell it for less than you paid for it, you are going to take a loss. Would it not be better to take a loss in terms of providing more affordable housing for this province?

Mr. Johansen: Excuse me. Were you talking about the Cayuga or the Nanticoke assembly?

Mr. Callahan: A little bit of each, I guess. I do not know the geography, but I gather they are pretty close to one another.

Mr. Johansen: They are reasonably close, but to develop the Cayuga assembly in the same pattern as the Nanticoke is, with sewer, water and hydro and everything else, it would require a huge upfront cost. That is why that is an agricultural area.

Mr. Callahan: So it is currently not on sewers. I think you said that.

Mr. Johansen: No. In the Townsend area, the lots are already serviced, the streets are in, the roads are in and everything is ready to go. The lots are there and are available to be purchased, and it is closer to the major areas of employment than the Cayuga assembly would be.

Mr. Callahan: I notice as well that the people there seem to be a little concerned about the question that they are now going to be left there alone with no further development taking place.

Mr. Johansen: I think that concern is probably reflected in those people you refer to who commute to Hamilton when they could live more cheaply in Townsend. That concern is probably one of the reasons; that is, the resale value and local market activity when they make their investment. Yes, there is no sense in saying that is not true.

Mr. Callahan: Thank you. I would like to get into mortgages at this point.

The Vice-Chairman: As soon as we have no more questions--

Mr. Cornell: I have just one comment, Mr. Chairman. One thing in this whole area is that you will remember in--what was it?--1974 or 1975 a thing called the Organization of Petroleum Exporting Countries got into trouble, and that sort of pricked the balloon of all those foolish attitudes and feelings they had about growth for Stelco and all that.

The Vice-Chairman: We do want to get into the discussion on the mortgages as soon as there are no more questions.

Mr. Cornell: We now have Ralph Grant, who is the director of the mortgage administration services. Ralph has a presentation, and Joan Krantzberg will assist him here, and I will do my best to keep out of the way.

Mr. Grant: In Mr. Curling's comments this morning, he mentioned that the Ontario Mortgage Corp. is at the moment a wholly owned subsidiary of the Ontario Land Corp. In the discussions that have taken place in terms of the mortgages, while I think we were quite categorical in saying that the plans are to wind down the Ontario Land Corp. by March 1987, there is no such intention with respect to the Ontario Mortgage Corp. I will try to illustrate in my presentation some of the reasons for the difference.

15:10

The role and mandate at the moment of the Ontario Mortgage Corp., as Mr. Curling said this morning, is to dispose of its first mortgages by March 31, 1988, to advance and administer mortgages, at the moment under the assured housing program--which is one of the reasons why it would continue--to review the disposal potential of our second mortgages, leases and deferred mortgages, and then to continue to administer the remaining mortgages and act as the government's lending agency, rather than just the Ministry of Housing lending agency.

To give you an idea of what we are talking about, this is our portfolio as at March 31, 1986, and as at the end of July. Our first mortgages, which we break down into two categories, renewable and nonrenewable, on March 31 were some \$347 million. Today they are some \$314 million. We have second mortgages of \$53 million. We have leases and deferred mortgages of \$77 million. We have mortgages advanced under various government incentive programs over the years that add up to \$152 million and then we have a small portfolio of properties we have re-acquired because of mortgage defaults.

Of those mortgages, 55.8 in terms of the seconds and the leases are owned in conjunction with Canada Mortgage and Housing Corp. as part of the partnership arrangement coming out of the Home Ownership Made Easy program. Last year, as part of the review of the assets of Ontario Land Corp., these mortgage assets were valued as to market value. At that time, it was determined that the leases should be written down by about \$11 million to reflect market value and the nonrenewable mortgages should be written down by \$39 million to reflect their current market value. These adjustments were made in our accounts.

To deal with the first role, which was the disposal of the first mortgage--and I think that is what the committee is focusing on primarily--the renewable mortgages, which were \$120 million when we started this process, were one- to five-year term mortgages at current mortgage interest rates. When these mortgages were first made, they were all open mortgages, in other words, all our mortgagors have the privilege of paying off their mortgage at any time or making any part payments at any time without principal, bonus or penalties.

The government decision was that mortgages maturing up to March 1987 were to be renewed by OMC prior to being sold. The mortgages maturing after March 1987 are being sold as is--in other words, just as they are now, fully open.

All the mortgagors were advised of the intention to sell, and we do this at least three months before they are scheduled to be sold. The mortgagors have the opportunity to discharge their mortgage then up to the time of sale without penalty or interest. When we renew their mortgage, we try to make them more consistent with the mortgage industry at large in that they are partially closed--in other words, they can only discharge them at maturity dates without penalty or interest. Otherwise, we insert a three-month penalty clause. It is not closed in industry terms, which do not allow any payment.

Those mortgagors with mortgages maturing after March 1987 may discharge without penalty or bonus until the mortgage matures. Even after they have sold, since none of the terms and conditions in the mortgages is changed, they maintain their same rights and options.

Mr. Ashe: You could not change them anyway.

Mr. Grant: But the sales are accomplished at no cost to the mortgagors.

Mr. D.-W. Smith: Who do you anticipate selling those mortgages to?

Mr. Grant: Financial institutions, trust companies, banks; the same people who are in the mortgage business.

This is how we go about doing that. We advertised the intention to sell these and we contacted all the mortgage-lending institutions. We asked those that were interested to let us know. We listed them and prequalified them. Every month, as we bring up a package for sale, we send them the package. Each package contains the open or the as is mortgages and the renewed mortgages.

Mr. Davis: Excuse me. What are the renewed mortgages?

Mr. Grant: For example, if a mortgage matured August 1, we would offer the mortgagor an opportunity to renew it, at the same time telling him that if he chose to refinance, he could discharge it. If we renewed it, we would change the terms slightly and then we would offer it for sale.

Mr. Davis: Did I hear you correctly to say with respect to the mortgages prior to March 1987 that you were going to renew those as they were?

Mr. Grant: Yes.

Mr. Davis: After March 1987--

Mr. Grant: We are selling those, as is, before then.

Mr. Davis: If I had an open mortgage at that point and mine was sold as an open mortgage and then came to be renewable a year later, I could find myself with new terms for my mortgage.

Mr. Grant: Yes.

Mr. Davis: How many mortgages are you selling?

Mr. Grant: About 13,000.

Mr. Davis: Who do you have them on now? You have to help me. Would it be people who rent land or people who--

Mr. Grant: No. These were mortgages that were made throughout the 1960s and early 1970s, predominantly under the home ownership made easy program. At the moment, the average balance on these mortgages is \$20,000 or less. They are not big mortgages.

Mr. Davis: They are currently owned by people who own the home?

Mr. Grant: Yes.

Mr. Davis: There are 13,000, did you say?

Mr. Grant: Yes.

Mr. Davis: Of those 13,000 mortgages, how many would be sold and could be renegotiated?

Mr. Grant: Our present experience is that about 25 per cent are being paid off and people are making their own arrangements; so 75 per cent of them are being sold.

Mr. Davis: Of that 75 per cent, how many would fall in the category of being after the date when the mortgages renew and could have their terms changed?

Mr. Grant: It works out that about 60 per cent would be renewed; 40 per cent would be as is.

Mr. McKessock: Would there be any effort to have an open mortgage after the sale?

Mr. Grant: Yes. The ones we sell as is are open until they mature. Nobody changes that until they mature, and then it is up to the mortgage-lending institution. At that time, they do not have to stay with the institution. They can make their own arrangements.

Mr. Davis: Would you wind up with more closed mortgages than open ones?

Mr. Grant: Yes, over the short period.

Mr. Davis: When your people were in this, you did not use closed mortgages; you always had open ones.

Mr. Grant: We always had open mortgages.

Mr. Davis: What can happen is that people will now suffer penalties they would not have suffered.

Mr. Grant: No. They all have the opportunity to pay off their mortgage and make their own arrangements before we sell them. That is why we give them all the notice.

Mr. Davis: If they decide not to pay it off, what would their mortgage rates be?

Mr. Grant: It would be the same. They would be charged the current rate, the same as everybody else. When we renew them, our renewal interest rates are the same as the industry's.

Mr. Davis: The current rate now is about--

Mr. Grant: Eleven per cent for a five-year mortgage.

Mr. Davis: But people who had it five years ago are not paying 11 per cent.

Mr. Grant: No, at the moment they are probably paying 14 per cent or 15 per cent. When they come up for renewal, it drops to 11 per cent.

Mr. Davis: It drops to 11.

Mr. Grant: Those who are interested in buying the mortgages send in sealed bids. It is a typical tender process. We award to the highest qualified bidder, then we advise the mortgagor to whom they have been sold and do the necessary legal transfers.

15:20

Mr. Ashe: What has been the average bid in terms of lost interest rates on behalf of the corporation, let us say? Are they usually running at three eighths of one per cent? I appreciate that each package probably has a different value accrued, but do you have an average of all the ones you have sold to date?

Mr. Grant: Yes. We are getting better than par on the sales; i.e., on the basis of the principal, we are getting more than \$100 per \$100.

Mr. Ashe: If they carry a 15 per cent interest rate, you are going to get more than par for sure.

Mr. Grant: These do not carry a 15 per cent interest rate. We try to package them so that they are close to the market interest rate. Because quite a number of these are open mortgages, which the industry is not used to, they do tend to discount them a little for that. We try to mix and match so we get par or better.

Mr. Ashe: You are saying you might put together a package that works out to 11.75 per cent overall, for example. There is not much advantage in somebody discharging 11.75 per cent to go to 11 per cent when we figure costs, etc. If you try to relate the interest rate to par, you may be getting the equivalent of \$101 per \$100 or something like that.

Mr. Grant: Yes. We try to make them come out on the positive side and that is how it is happening so far.

We started this process in June. That was the first offering. That was sold to Morguard Trust. The July and August packages were bought by the Bank of Montreal. We are awaiting the bids for the September package, which will come in next week. So far, we have sold \$21 million. By March 31, 1987, we project having sold another \$49 million, for a total of \$70 million.

Mr. Ashe: If the current trend continues, you expect to receive in excess of \$70 million?

Mr. Grant: Yes.

If you remember, when I talked about the first mortgages, there were two parts to it, the renewable and the nonrenewable. The nonrenewable part, of which we have about \$227 million, was originally 35-year term mortgages with the same amortization period. The interest rates were fixed when the mortgages were issued and they range between 8.75 per cent and 9.5 per cent. These were the very early mortgages under the home ownership made easy program.

Mr. Ashe: You are not getting par for those.

Mr. Grant: The sales process for those is in the process of being finalized. It is scheduled to start next month, but that is subject to a number of approvals yet. Again, following the trend in the renewable mortgages, the mortgagees will be given an opportunity to discharge their mortgages before they are offered for sale.

Mr. Ashe: You will not get the same percentage in that group.

Mr. Grant: No. That is why I said at the beginning that we made some write-downs in our books of account to recognize what was going on.

Another of our roles is, what do we do with the remaining second mortgages, leases and deferred mortgages? We are offering to sell those second mortgages that are attached to the first mortgages we are selling, at the same price as the first mortgages, to the buyers.

Mr. D. W. Smith: You said there were 13,000 first mortgages being sold. How many second mortgages are being sold?

Mr. Grant: There are probably 4,000 or 5,000.

Mr. D. W. Smith: What is the average of the second mortgages?

Mr. Grant: That is a hard question. They are so different. I would guess \$17,000. There is a whole range of those, because it depends on when they were done and what sort of structure they were. If you remember the home ownership made easy program, some were leases and some were primary principal of the second mortgages and the balance on the lease or on the deferred mortgage. They are all over the shop, depending on when they were done and what was the mortgage financing thinking at that time.

Mr. Ashe: When the owners were given the option to buy their land leases, is that what became the second mortgage in most cases?

Mr. Grant: Yes. A lot of those converted to a second mortgage, so they are straight second mortgages.

Mr. Ashe: You converted them at the same rate as the first?

Mr. Grant: Yes, but there were other ones where the program was not to lease, it was to give them a second mortgage. They are all different.

Mr. D. W. Smith: What is the rate of interest on a second mortgage?

Mr. Grant: Generally, on the renewables it is the same as on the first. They tend to mature together and we have been using current market interest rates to renew mortgages for the last five or six years. They all tend to be about the same. The leases and deferred mortgages and the other second mortgages--which are very different from what the mortgage industry is used to--and the yield on them is not terribly high because these were incentive programs to encourage people in terms of affordable housing. So the market value of those is a very difficult thing to establish.

At the moment, the government considers the cost of selling them is too high to warrant doing that, so we will constantly review the market to find an opportunity if one presents itself.

Our final role in terms of the government lending program is to act as the mortgage lending arm. At the moment we issue the commitment, advance and administer mortgages under the new Ministry of Housing assured housing program, Renterprise, convert-to-rent and low-rise, those are the ones we are currently advancing money on.

Those are my comments on the mortgage portfolio.

Mr. D. W. Smith: On those properties, you mentioned 13,000 first mortgages and about 4,000 second mortgages. Roughly, what percentage of the value of the property would those mortgages account for?

Mr. Grant: One of the concerns of the lending institutions was just that, because, as you know, banks are precluded from buying mortgages if they are more than 75 per cent of the value and if they are for more than a five-year term. We are having no problem with that. They all represent 75 per cent or less of the value of the home. These were mortgages that had been out for 10 or 15 years, so the owners have built up considerable equity.

Mr. D. W. Smith: Even the ones that had a first and second mortgage on them? There was still no problem with the 75 per cent?

Mr. Grant: No.

The Vice-Chairman: Do other committee members have any questions? Mr. Cornell, do you have any remarks you would like to make at this point?

Mr. Cornell: No.

Mr. Ashe: There is no real negative to the person who holds the mortgage other than slightly reduced options at renewal. They probably will not get it open to the same degree as they would with the Ontario Mortgage Corp.

Mr. Paradis: I wonder whether any of the members have questions specifically of the board of directors as the governing body of the Ontario Land Corp., if I may put it that way. Since I am the only member of the board present here this afternoon, if there are any questions concerning the board, I would be happy to answer them.

The Vice-Chairman: Are there any questions from any member of the committee?

Mr. Leluk: Maybe we could hear how long the corporation is going to continue to be a legal entity and whether it will continue to have a board of directors.

Mr. Paradis: To our certain knowledge, the government has made it very clear; it is planned that the Ontario Land Corp., as a body, as an agency of the provincial government, will cease to exist on March 31, 1987. The board, in the past year, has been working to that end. Unless there is a change of intention, we are looking at six months as an agency of government requiring a board.

Mr. McKessock: The Ontario Mortgage Corp. is continuing but you are selling the mortgages that pertain to the Ontario Land Corp.?

Mr. Paradis: The mortgages pertaining to OLC are essentially land mortgages.

Mr. McKessock: Those are the ones you are getting rid of.

Mr. Paradis: No, we are not getting rid of those. The Ministry of Government Services will presumably continue to administer those until they are paid off--through the Ontario Mortgage Corp., presumably.

Mr. McKessock: Can you state which are the ones you are selling off?

Mr. Paradis: We are selling off housing mortgages that belong to the Ontario Mortgage Corp., which is a subsidiary of the Ontario Land Corp. Both are administered by the same board.

Mr. McKessock: These are mortgages that came on stream because of housing programs over the years.

Mr. Paradis: Yes, they came on stream over the years through the various provincial housing programs, particularly the home ownership made easy program in the 1960s and 1970s.

Mr. Cornell: Mr. Chairman, we thank you very much. Mr. Riggs, I am sure, will look forward to coming back again when you want to see him.

The Vice-Chairman: We would like to thank you and your officials for being here with us all day. It has been agreed that when the House comes back, Mr. Riggs and officials from the Ministry of Industry, Trade and Technology will join us in a meeting and answer some questions that were not answered at this point.

The committee adjourned at 3:31 p.m.

STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO ARTS COUNCIL

FRIDAY, SEPTEMBER 12, 1986

Morning Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Ashe, G. L. (Durham West PC) for Mr. Gregory

Davis, W. C. (Scarborough Centre PC) for Mr. Rowe

Grande, T. (Oakwood NDP) for Mr. Hayes

Sargent, E. C. (Grey-Bruce L) for Mr. Poirier

Ward, C. C. (Wentworth North L) for Mr. South

Clerk: Arnott, D.

Staff:

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ontario Arts Council:

Koerner, S. N., Chair

Del Zotto, E., Chairman, Finance Committee

Pitman, W. G., Executive Director

Stewart, N., Vice-Chair

Gouin, J., Film/Photo/Video Officer

Ivey, B., Chair, To Know Ourselves Committee

Creech, G., Music Officer

Sirman, R., Director of Operations, Finance and Administration

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Friday, September 12, 1986

The committee met at 10:11 a.m. in room 230.

AGENCY REVIEW:
ONTARIO ARTS COUNCIL

The Vice-Chairman: I call the meeting to order. I am sorry for the delay. We have taken a little time getting all our members in place this morning. As a matter of fact, they are not all here yet, but we will take a chance in starting.

We are going to review the Ontario Arts Council today, and we are going to have a lot of questions, I assume. I understand that the chairman, Mrs. Koerner, is going to lead off and give us a short statement, do the introductions and generally look after who is going to tell us what.

Mrs. Koerner: I will start by introducing my members. Mrs. Stewart is the vice-chairman; Elvio Del Zotto is the chairman of finance; and Mrs. Ivey comes from London, Ontario. I should say that Mrs. Stewart and Mr. Del Zotto are from Toronto.

I will introduce staff members as well. Mr. Pitman, whom you probably know, is executive director; Bob Sirman is the director of operations; Judy Gouin is our film, photography and video officer; and Ms. Jolliffe is director of communications.

The Vice-Chairman: Thank you very much. You have a short statement for us, I understand.

Mrs. Koerner: I have a very short introduction. We sent you a whole lot of information, so I really will not go over a lot of it. I just want to say how pleased we are to be here today in front of you all to discuss the mandate and operations of the Ontario Arts Council.

Frankly, we welcome every opportunity to spread the good word about the development of the arts in Ontario and the vital role we believe the Ontario Arts Council has played in that development. It was eight years ago, in October 1978, that the Ontario Arts Council was last examined by the standing committee on procedural affairs. At that time it was awarded what we regarded as a clean bill of health.

Three years ago the Ontario Arts Council and its 20-year performance to that date were given intense scrutiny by the Special Committee on the Arts, which was chaired by Mr. Macaulay, and once again we believe we emerged from that examination with flying colours. The special committee made a number of recommendations regarding the arts council, and most of those have been implemented or are in the process of being implemented.

For instance, the committee called on the Ontario government to confirm the Ontario Arts Council as the principal arts granting agency of the province and to increase substantially its funding over a two-year period, 1984-85 and 1985-86. This was carried out by two succeeding governments during that period.

In 1984-85, the council received a special supplement of \$3.1 million to its base funding to increase the assistance to the province's major performing arts institutions. This was followed in 1985-86 by a further special increase of \$3 million to its base funding to enhance our granting to all the other artists and arts organizations throughout the province.

We are particularly gratified that the minister, the Honourable Lily Munro, at the time of the second increase, took the opportunity to state as clearly as possible the government's endorsement of the principle of arm's-length funding and its confidence in the arts council.

This most recent increase also permitted us to introduce a number of new granting programs, which brought our total number of granting categories from 70 to 90. I hope we may have an opportunity later today to discuss some of them.

Additionally, the Special Committee on the Arts recommended that the arts council carry out a two-year internal review of its programs and establish new policies for providing arts funding in the province in the coming decade. This too has been undertaken.

The council, believing that policies and priorities are made manifest in the operating programs of an agency such as ours, has undertaken a two-year intensive evaluation of all of our granting programs. We are about a third of the way through this process, and we have already made some significant alterations in our programs.

We anticipate many more changes, all of them designed to allow the council to better serve the arts community and the general community which it services into the next decade. Again, we will be happy to discuss the program evaluation. We believe it is quite extraordinary in its depth and scope.

We, as the members of the Ontario Arts Council, see ourselves as the public trustees, serving one of the higher purposes of any society, which is the development of artistic expression. We welcome the opportunity to account for ourselves to you, whether annually through estimates hearings or on a special occasion like this. We await your questions with pleasure and maybe with a small case of nerves too. Anyway, we are ready for whatever you wish to ask us.

The Vice-Chairman: Thank you very much. As you have just said, we understand it has been eight years since you have been before a committee such as this, and I am sure there must be lots of questions. They may be a little slow in coming this morning, but I can assure you there will be some dialogue. I do not have a list drawn up yet; so who wants to have the honour of starting the discussion?

Mr. McKessock: I have one question. I was looking at the financial statement, and I just want to clear up a point where it says, "Return of prior year grants, \$96,000." I am wondering what that is.

Mrs. Koerner: May I refer you to my chairman of finance? I thought I would refer questions to members who could answer.

Mr. Del Zotto: If I do not have all the answers at my fingertips, you will forgive me. I just got on the arts council a few months ago, and I am having an experience that is one of the best of my life.

Of that, \$80,000 was a return from Stratford for a program they did not use. Whenever we make a grant to a particular group and they do not fulfil the program, the money comes back to the arts council.

Mr. McKessock: Would that be because they did not fulfil it for that year? Would they fulfil it in a coming year?

Mr. Del Zotto: Whether they did or not, from our point of view the money is returned and then they will resubmit if they want it in the following year.

Mrs. Koerner: The grants are made for the program of that year. The organizations make a submission for their programming for a specific year, and they are granted on the basis of that submission. Moneys not used in that year are returned. The organization may resubmit an application the following year, but we do not carry from year to year.

Mr. McKessock: I notice some of the ministries do not pay the grant until the work is done, but obviously you pay yours up front. Is that correct?

Mr. Del Zotto: No, not necessarily. It can be paid in various ways depending on how we at the council feel it should be paid. Sometimes we pay it up front if it is to be expended immediately, or it may be paid out over a year, depending on the budget of the client.

Mr. McKessock: I notice this past year you got \$24,817,000 from the government. Is that given to you at the time of the Ontario budget? Or what time of year do you get that grant? Do you get it in one lump sum, or do you get it over the year?

Mr. Del Zotto: Actually, you raise a point that is very interesting. We get it too late. One of our problems is that we are determining what we are going to allocate to our clients before we have had a final determination from the ministry as to the exact amount we are going to get. We are based on our last year's budget, estimate what we feel the government will give us as an increase this year and then allocate on that estimate. When the actual budget figures come down, we could be high or low in our estimate, so we have to readjust it. Generally, we get it in the spring, and we have already allocated a good chunk of that money before we get it.

Mr. McKessock: Does your money come in a lump sum from the government?

Mrs. Koerner: No.

Mr. Del Zotto: It comes through monthly and biweekly. We would like to get it in a lump sum at the beginning of the year.

10:20

Mr. McKessock: I notice you earned a considerable amount of interest here on \$68,000.

Mr. Del Zotto: As a matter of fact, if we could convince this committee that we should know at least a year in advance what we are going to get it would make our job much easier.

Mr. Grande: How about a five-year plan?

Mr. Del Zotto: That would be terrific. If we could double it in five years, that would suit us perfectly.

Mr. McKessock: That might be tough on inflation.

Mr. D. W. Smith: Have you had any discussions or requests from groups in the Sarnia area about a possible arts centre there? It might be only in its infancy, but I have heard almost backroom discussions for a number of years there. Has anybody in the Sarnia area been in touch with you about a possible arts centre on the riverfront?

Mrs. Koerner: I am sorry; not with me, but I will ask Mr. Pitman what he might know.

Mr. Pitman: That centre would probably be a capital request. We do not provide capital funds. All our funds are for programming. What would probably happen would be that the people in Sarnia would talk to the people in the arts branch of the ministry. They would talk particularly, I suspect, with people in the government. After it is built and the programming begins, they would perhaps come to the Ontario Arts Council, to one of its offices, for any program that might be going, such as the touring office. If it were a professional theatre company, it would come to our theatre office and so on. We provide funds for what goes on in the facility, but it would be the ministry that would deal with the capital request.

Mr. D. W. Smith: Now I know a little more about what you do. I was a little premature in making a request of you.

Mr. Pitman: We spend a great deal of time counselling people. If you have people in Sarnia who are interested in developing an idea for a performing arts centre or a community centre, we would be delighted to spend an afternoon with them and chat with them about our experiences in other communities to give them some idea of what resources we would be able to make available to them after it is built. We are often able to give some sophisticated advice and counsel on a development. That might be helpful to them. It is free. You might want to tell your constituents it is available to them.

Mr. D. W. Smith: From what I understand of the project, it is a major one; it is connected with the oil industry. I think they even talked about an interpretative centre or something along that line, but the words "performing arts" keep coming up; so that is why I had to ask the question and find out.

Mr. Pitman: It might be multiuse. It sounds to me as though they might be talking of a museum as well, if it is going to be a centre.

Mr. D. W. Smith: It is a major complex anyway.

Mr. Pitman: Right.

Mr. Sargent: It is good to have a couple of political people here, such as Mr. Pitman and Mr. Del Zotto. They have been through the mill politically. For the committee's information, Walter was one of the most effective and popular members of the House for many years.

Mr. Leluk: He spoke for you, Eddie.

Mr. Sargent: When he got the appointment, it was a very thoughtful appointment. He has done a great job there.

Having said that, the balance sheet shows you do not need very much money. Your trust fund is at \$3 million. That is a pretty healthy investment, but that is of no concern here. What happens if a member of the Legislature wants a grant for his area? Does he go to the ministry first and then the ministry goes to you and talks budget? What happens?

Mr. Del Zotto: No, not at all. You have to understand that the arts council's function is to supply funds for operations of various art forms. Our clients are all professional clients. It is not for amateurs; it is only for professionals.

Mr. Sargent: I see.

Mr. Del Zotto: That is an important factor that should be kept in mind. The reason is that it is what we have basically been told to do. That is our primary function.

Mr. Sargent: By the ministry?

Mr. Del Zotto: Yes.

Mr. Sargent: You are an arm of the ministry.

Mr. Del Zotto: We are totally at arm's length from the ministry. We were set up under a particular ministry, and we are responsible to that ministry for funding, but it has no say in how we use the money.

Mr. Sargent: I see. It is nonpolitical.

Mr. Del Zotto: That is right. Our applications are made by clients based on what they would like to do. They are assessed for their professional capabilities, and we look at the type of programs they have and determine whether they are viable in our opinion. Based on that, we will allocate not necessarily what they ask but what we feel they are entitled to, in view of their application.

Mr. Sargent: That is good. Thank you.

Mr. Del Zotto: May I add one thing? You said we have a budget that is big enough. I want to make a bit of a plea here, because one of the things that has been missing in arts in Ontario is the fact that it has a beneficial effect not just to the people receiving the money but also to communities at large. There are many areas in Ontario which, without the arts council, would be just short of funding for many operations.

Mr. Sargent: Professional people?

Mr. Del Zotto: Yes; in outlying areas and the Indian art forms. A number of them would not survive without our help and the Canadian Arts Council's help. Really, the budget could be unlimited. You are limited by what the provincial budget is, and we have to live with that. However, in the long run, if you consider the impact on society and the return to the individuals who get our grants--there could be a substantial increase in our budget, and it would have a beneficial effect--it would not be costly to the government. It is cost-effective in the fact that we would have more people performing the

arts and more employment in the arts, as well as industries that build around a particular art centre. You are talking about a new arts centre going in; there are a lot of ancillary industries that build up and feed that arts centre.

Mr. Sargent: We are, in Owen Sound. We are looking for about \$600,000.

Mr. Del Zotto: If you were to spend the capital amount of \$600,000 and we came to help with the operation, it would generate employment in that area. There are the stagehands, the people who make the staging equipment and all the sound people. It is tremendously beneficial. I think the budget should be increased, quite frankly, and it is something we are going to lobby for nicely, to try to establish and show that it ultimately puts more money on the bottom line in Ontario than it takes out of it.

Mr. McKessock: As a supplementary to that, do you have a surplus of applications for grants that you cannot fill?

Mr. Del Zotto: Yes. Absolutely.

Mr. McKessock: Do you have a dollar figure on that?

Mr. Del Zotto: No. I do not think we have sat down to determine a dollar figure, but if you gave us \$10 million tomorrow, it would be a mistake; we would not want something such as that. What we are looking for is to know that we are not just going to get an inflationary increase. In fact, the arts council got a tremendous boost the past couple of years, but over a five-year period, we have just stayed equal to inflation; we have not had a real increase in the amount of our dollars. We would like to see an inflationary increase plus some incremental increase so that the arts are improved in Ontario. Let us say we talk four or five per cent more than inflation. We would like to know today that we are going to get it.

Mr. McKessock: You know what that does to inflation.

Mr. Del Zotto: It may be so. It does something to inflation in some areas, but it also does something else. It gets the standard of pay to the professionals in the arts industry up to the standard of pay in other industries. They are grossly underpaid, and if it were not for the dedication of the artists in this province, we would have very little artistic culture. They do not get paid what they are entitled to.

Mr. Leluk: As probably the minister who spent the shortest time on record in this ministry--

Mr. Grande: Hear, hear.

Mr. Leluk: I was waiting for that.

I have some questions. I may not have them all at this point--I may have some later--but I do have some questions I want to ask.

Mr. Del Zotto mentioned that the council is at arm's length from the government ministry which provides the moneys for its operation and for the grants it provides to various artists. How much reliance is there on ministry staff in any of the decision-making? Is the decision-making in the awarding of grants totally that of the board?

Mr. Del Zotto: We would find it an intrusion if the ministry told us what to do with the money. We rely totally on our council.

Mr. Leluk: But do you do any consulting with ministry staff with respect to any of the applications for grants?

Mr. Del Zotto: No. We report to them only the results we have every year.

10:30

Mr. Leluk: I take it you totally disregard any letters that come from politicians. I personally have written many letters to the board saying, "Please consider this writer or this poet."

Mr. Del Zotto: Mr. Leluk, if you wrote it to me, I would respond. I would probably tell you that you were writing a letter to the wrong person.

Mrs. Koerner: I should add that we do not disregard your letters. I have received letters from people and I consult with the officers. Say you are talking about artist A. Then I want to find out who artist A is and why he or she did not receive a grant, if that is the question. Then we will answer appropriately. There is a lot of consultation between our staff and the ministry staff, our officers and the ministry.

Mr. Leluk: Is it all consultative?

Mrs. Koerner: It is consultation. They consult us and we consult them. Obviously, nobody can know everything.

Mr. Leluk: You are satisfied that there is the arm's-length relationship?

Mrs. Koerner: We are very satisfied, yes.

Mr. McKessock: You are talking about letters from politicians. I expect it is likely that if a politician wrote the minister about supporting a certain application, he would pass the letter on to you.

Mrs. Koerner: He does.

Mr. Del Zotto: Those people would be advised of what the procedure is to make an application for a grant. The decision would then be based on the merits of the application.

Mr. McKessock: I am saying that a letter from a politician would be a supporting letter.

Mr. Del Zotto: It would not affect our thinking about whether the grant would be made.

Mr. McKessock: Is that not what a supporting letter is for, to affect somebody's thinking? What does affect your thinking?

Mr. Del Zotto: We have a system set up with a jury. We do not make the decision purely on our own sensibilities or thoughts. Every one of the applications is considered by an independent jury of the peers of that

particular discipline. They will make recommendations and our own employed members will make recommendations. The council will make the decision based on those.

Mr. McKessock: I am not saying it should be a political decision.

Mr. Del Zotto: The jury would not even know you wrote the letter. They are judging it purely on a professional basis.

Mrs. Koerner: If I may add something, the benefit your letter might have is that it might point out that in our programs there could be another little thing inserted. Say there is a program for symphony orchestras and you wrote about a specific orchestra that did not get a grant. We look at the program and think, "Perhaps we should amend the program a little to include the type of orchestra you are talking about." In that way, it could influence the thinking.

Mr. Leluk: On the point Mr. Del Zotto raised, you consult a jury of one's peers, people who are learned in their specific areas of the arts. Do you rely quite heavily on whatever information they provide with respect to a particular applicant?

Mr. Del Zotto: Yes.

Mr. Leluk: What happens in the case of a person who makes an application for a grant who is well known in his field. Perhaps he has had other successful works. Would you not say the chances of his getting a grant, based on information the council would receive, would be better than some budding, aspiring artist who is not as well known and has not had any successful works? I know the council has a difficult task to judge applications that come before it, but I do not know how one makes the process foolproof. What about the aspiring artists who are not as well known as some others who may have applied for grants?

Mrs. Koerner: We have a whole group of organizations and artists to whom we give grants who are well known. You are quite right. Most of the officers have programs in which they give money to young unknowns. For instance, theatre has a project program where--I have forgotten--approximately 27 small theatre groups or even two or three people joining themselves together in a group were doing rather far out theatre. We give each a little bit of seed money to get going.

I think that is part of our function. If we keep giving only to the same people year in and year out, we will never get any new people out.

Mr. Leluk: Does the council renew grants for people in certain areas? Do they come back on an annual basis in some cases? Are there no annual grants?

Mrs. Koerner: They do, yes. The symphony and any organization you can think of that receives a grant mostly will be back the next year.

Mr. Leluk: As a politician and a former minister who was there for only seven weeks--I was a parliamentary assistant in that ministry for about two and one half years--I used to get complaints from people who said: "I feel I had the qualifications. I applied for a grant and I was not successful." With the number of people we have in the arts and with the fact that there are

only X number of dollars to go around, it is probably difficult for some people to feel they have been given a fair hearing, so to speak, and that they have been judged fairly with their applications.

Mrs. Stewart: I had a writer phone me and complain she was very well known in New York, etc., and we would not give her any money. I talked to the theatre officer and the film officer and saw her applications. I saw the people listed on the juries. I happen to know personally both the film and theatre people listed on the juries. I called this woman back and said, "Here are the jurors." I told her exactly, "I read all the comments and the comments were terribly negative."

Then I told her I knew the jury people and I was going to phone them and talk about her. At that point, she did not want me to do that. I told her to go back and see the officers in both fields. They were willing to help her with her application another time. We gave her advice about what she should do. Instead of taking her plays to people in New York and then talking about that, she should take her plays to local theatre directors. She said, "They will not read my stuff."

It turned out that this woman may have had something done in New York once but she was just not good enough. We do follow through and all the comments of the jury are in the files, so anyone who complains can go back. The jurors are people of top quality and they are all names you would recognize.

Mr. Leluk: The answer to my question is that the council is always very objective and fair and there are no biases with respect to patronage; so if you are an artist who has come back and, because you are well known, you do not get grants over and above some others.

Mrs. Stewart: They are very open.

Mr. Del Zotto: I would like to add to that. You mentioned the fact that new applicants are the ones who tend to complain. There is no question that one of the problems is that we have not had a budget that could be divided amongst all the new people. When we got the increases, a number of new programs were started. We would like to see more of the new increases going to new programs and trying to help newer groups. We are limited in the amount of money we have. You cannot suddenly say to the Sudbury symphony, "We are not going to give you any more money this year because we are going to give it to someone else." When we have committed to an organization which performs professionally, they stay on the list as long as they stay professional.

Mr. Leluk: Another question I have is regarding funding of applicants who are not residents of this province and who may be in British Columbia, or what have you, but they are writers and poets. What percentage of the council's budget would you say goes to artists who are from outside the province?

Mrs. Koerner: It is very low.

Mr. Del Zotto: It would be less than one per cent.

Mrs. Koerner: That would be if we were to fund a publishing house that recommends a writer who happens to be from British Columbia, for example; but we are funding the publishing house, which is here in Ontario, or the

musical group which is commissioning a work from a composer in Alberta, but the music group is here in Ontario. It is that kind of thing.

Mr. Leluk: It is under one per cent.

Mrs. Koerner: It is very small.

Interjection: Therefore, it is virtually none.

Mrs. Koerner: In a sense it is none, except the composer or the writer is getting money through the publishing.

Mrs. Stewart: Can I add something relating to the question about the young people who have publishing grants? We give money to different small publishing companies. We give money to many first-time writers, people who have not even been published yet because the publishing house, on the basis of looking at half a manuscript, will recommend someone and then we will give them money, not huge amounts, but small amounts of money.

We also give to visual artists. Different art galleries across Ontario recommend visual artists who show at their art galleries and we give them grants for supplies, buying paint and paper.

10:40

Mr. Leluk: I would like to move to another area. Do you have a process whereby you monitor grants that are given to artists? You are giving out a considerable amount of money. How do you know that the person who is awarded a grant actually uses that money for the purposes for which he has applied? Is there any kind of a follow-up? Is there any kind of monitoring of the grants that are handed out?

Mrs. Koerner: There is a certain amount of follow-up in some of the offices. Generally speaking, the answer is no. We do not give somebody \$1,000 and then stand over him and make sure he has painted the painting or whatever. Some of the officers--at the board's questioning, I might add--have started to keep track of, say, publishers' grants. How many people were given money to write books? It is usually for a specific book. How many have been written? Of those, how many have been published? We do that kind of monitoring.

Mr. Leluk: I was thinking in terms of larger sums of money that may be handed out to a theatrical group, and perhaps for some reason a play never takes place.

Mrs. Koerner: That does happen.

Mr. Leluk: You may have a person who wants to publish a book and for some reason it never takes place. You may have a film maker who comes in and gets a large sum of money, and the film never takes place. That is the kind of thing I am thinking about.

Mr. Del Zotto: There were 1,800 individual grants given in 1985; so it is an impossible task to police everybody. For example, Stratford gave us back the \$80,000. It was obvious they would not have given it back if we had not suggested they should give it back. We do monitor the larger ones as best we can. When they make an application this year for next year's budget, they tell us their actuals of the previous year, so we know what they have done

with the money. We can follow it from their annual applications. If we were to give out a \$200 grant for a writer through a publisher, obviously there would be no way for us to know whether it was used for that purpose.

Mrs. Koerner: In a sense, we are at arm's length from our clients as well.

Mr. Leluk: On the other hand, I think you said in your opening statement that your council was a public trustee.

Mrs. Koerner: That is right.

Mr. Leluk: You are providing taxpayers' money. We are handing out taxpayers' money and, certainly, there has to be some accountability for spending that money. I am not suggesting we stand over each and every applicant, but I am wondering whether there is a monitoring process for some of the larger grants.

Mrs. Koerner: There is for the larger organizations.

Mr. Del Zotto: There is, by the way, another thing we do, and I think I mentioned it earlier. We do not give them all the money just because they apply and we approve their application. We will often give them only their initial seed money and feed the rest to them as their program progresses. We have a lot of people out in the field who are not even paid but who provide us information. There is feedback.

Mr. Leluk: This is the kind of thing I am after.

Mr. Del Zotto: Since the jurors are really the peers of the people making application, they sort of watch over it. You can rest assured that if they have approved something and hear that the program did not go ahead, the word will find its way back. It would be impossible to police 1,800 grants.

Mr. Leluk: I would like to move on to another topic. Within the past year and a half or so, as a politician, I guess, I received complaints from constituents and others about a film called Struggle for Choice, which was considered a pro-abortion film by some people, that the Arts Council was to have funded.

There are certain criteria that you people establish for film makers. I believe, from my discussions with Mr. Pitman when he was here for the estimates of the ministry, the criterion is that it be a renowned film maker, such as an Allan King, someone who has established a track record in the film industry. He would have to provide copies of his works for the council's consideration of the quality of work. However, Mr. Pitman made it very clear that the council did not act as a censor board.

Mrs. Koerner: Quite right.

Mr. Leluk: We hear all the language about freedom of the arts, freedom of expression and what have you, but when you are spending taxpayers' dollars, not all taxpayers are pro-abortion or anti-abortion. We get into sensitive areas of controversy. Pornography is another area. If we are looked upon as a public trustee of public funds that are being expended, why is it that the council does not look at the subject matter of what the film is to be about?

What is to prevent an Allan King or any renowned film maker or film producer from coming to your council and applying for a \$300,000 or \$400,000 grant to make a film that deals with subjects such as pornography or that is possibly pro-abortion or even anti-abortion? I am not taking sides here. You are also dealing with something that is under the Criminal Code of Canada. Abortions are covered under the Criminal Code. There are certain requirements for facilities in this province and across Canada to be accredited in order to perform abortions.

As I say, you are in a very sensitive and controversial area here. How do you justify providing public funds to a film producer who comes to your council and says, "I am going to make a film," and you do not even know what the subject material is? I would like to hear your comments on this.

Mrs. Koerner: I will say a few things and then I will call on the film officer here.

Just as we are at arm's length from the ministry, our clients in a sense are at arm's length from us. The juries are the ones who look over the work of individual artists and decide who should be given a grant. Any film producer who comes has a body of work that he presents. It is on the basis of the amount of money available, the number of applicants and what the jury feels is professionally, artistically right that the grants are made. It is not a question of content, necessarily; it is the professionalism and the artistic quality that the jury feels is evident in that film maker which guides us.

Mr. Leluk: Are you saying to me and to the members of this committee that if you were aware as a council that a film was going to be a hard-core pornography film or one dealing with an issue such as abortion that was very pro-abortion, you would not question this as a council? You would still provide the grant?

Mrs. Koerner: We might question it when it came to the board level, yes. We do look at the lists and the names of whatever is going, but we are not in the censorship business. There is the Criminal Code, as you quite rightly say, which deals with all of that. We are on the artistic side of things, not the censorship side.

Mr. Leluk: How do you expect politicians to justify to their constituents the spending of government funds to make a film on pornography or in an area like pro-abortion? How do we justify to our constituents the spending of taxpayers' money when there are people who do not necessarily agree with certain things, whether it is pro-abortion or anti-pornography? We have certain community standards that have to be met.

Mr. Del Zotto: Mr. Leluk, I would like to answer that because you have taken us from a film that was talking about pro-choice or making a choice--

Mr. Leluk: Or whatever it is.

Mr. Del Zotto: --and then you have started talking about pornography. You made a value judgement that this is pornographic. I would suggest to you--

Mr. Leluk: No. I am talking about two different subjects.

Mr. Del Zotto: You started talking about one thing and then you led into, "Would we approve money for a pornographic picture?" If you could establish to me that it was pornographic, obviously we would not. However, we are not the jury; we do not decide. We are not the Criminal Code of Canada, which decides whether something is pornographic. We rely on professionals to tell us that something is artistically acceptable. If somebody wanted to--

Mr. Leluk: This is what I am trying to get at. I want to know how you decide to grant someone moneys to make a film.

Mr. Del Zotto: We have explained that we do not do it without jurors who are professionals in the field and who base it on its artistic merit. They do not base it on whether it is pornographic or not pornographic. I am sure that if it came back and it was pornographic, it would probably be rejected.

Suppose somebody wants to do a nude painting. Is that pornographic?

Interjection.

Mr. Del Zotto: That is exactly my point. We rely on the professionals to say to us whether this is a recognized artist, whether it is professionally well done, whether it meets the standards of the community in that sense. Then if we felt after getting their report that this was correct, we would make a grant.

10:50

Mr. Leluk: But by then the film is produced. When the jury of peers come back to you with a recommendation on whether the applicant gets a grant, they are not questioning the subject material of that film either, or are they?

Mr. Del Zotto: No. But if the film is produced and deemed to be pornographic, that will be decided by the bodies appointed to do that. We are not the police who go around enforcing the Criminal Code. Right now, it goes through your censor board, with which I totally disagree. I think censor boards are absolutely wrong. I do not know where you draw the line. Do you censor pictures, books and people?

Mr. Leluk: That brings me back to what I said earlier. How does a politician justify to his constituents the spending of the taxpayers' dollars?

Mr. Del Zotto: How do you justify it when you put in a road in somebody else's jurisdiction and not in yours?

Mrs. Marland: I think this discussion is a little out of order.

Mr. Leluk: I am trying to get an answer.

Mrs. Marland: I agree with the member, but the deputation is getting into a debate.

Mrs. Stewart: We cannot start precensoring things. You should look at all the films we fund that have gone on to become winners; they have won Canadian prizes and international prizes. That is what politicians should do. You have to take risks. Maybe we have spent \$10,000 on a film that was a mistake, but we have had maybe one film in all the years. Look at all the films that have won prizes and have brought honour to Ontario. That is what politicians should do: They should pick the winners and talk about those.

Mr. Leluk: I am not criticizing the fact that there are winners in the film industry and what have you. I am trying to establish the criteria on which a judgement is made by your council to provide taxpayers' dollars to film producers who come to you for a grant.

Mrs. Stewart: We do it on the basis of the best jurors. The best film makers in Ontario select the people who get money.

Mr. Leluk: Can you tell me who the applicant was who got the grant to make this film on pro-abortion, this right to choice, and how much money was given?

Ms. Gouin: My name is Judy Gouin. I am the film, photography and video officer for the council, which means I administer all the granting programs to individuals and organizations in those media.

The person who got the grant to produce this videotape was a lady named Nancy Nicol, and she received \$10,000 towards the budget of the film, which now is \$60,000. This lady is a recognized artist in the video arts community. She has worked in the area of documentary for a number of years. She was also an artist in printmaking and painting before that; so she has quite a lengthy résumé of artistic activity.

Her proposal in this case was to make a documentary on the struggle for choice, and that was the title of the tape, Struggle for Choice. It was to be a documentary on the efforts of women's groups and the women's movement across Canada to obtain access to abortion. That was the subject of the film.

What concerns the adjudication panel when it meets to review the applications is to assess the applicant's artistic ability, as evidenced by examples of past work and a résumé of past artistic activity, and to determine whether the proposed project represents professional and artistic development for the artist and whether it is within this artist's ability at this point in his or her development to undertake the project successfully.

Being able to undertake the project successfully means control of subject matter. In this case, as part of the artistic assessment, the jury said yes, indeed, this was someone who had worked in the documentary area for some time, obviously had done her research and knew how she was going to approach her subject. They felt, given all these qualifications, that she should receive the grant.

Mr. Leluk: Did your council receive any or many complaints from citizens about moneys being granted for the making of this video?

Ms. Gouin: Yes. I received many letters of complaint. I should say that the film has not been completed and neither has it been shown. My understanding, therefore, is that the complaints resulted from an article--I cannot remember now exactly the title of the publication it was in, but it is the so-called pro-life newsletter--about this film.

The article stated that public funds had been given to the film and encouraged readers of the newsletter to write in protest. The names of the then minister, Susan Fish, the chairman of our council at the time and a number of our council members were also given. The article also accused members of our council of being pro-abortion and therefore of having had an interest in the funding of this.

Mr. Ashe: Can I carry this exact issue one step further? It is only a supplementary. Have you or the panel involved in judging this kind of potential project had any applications from the other side of that movement, needless to say the right-to-life movement, to produce a film, videotape or whatever?

Ms. Gouin: We have not had any artist come forward to us with a proposal for a tape or other production that presented a different point of view.

Mr. Ashe: It seems to me that part of the answer to somebody who complains is to say that this option is open to the other side.

Ms. Gouin: If I may say so, it is not a matter of one side or another. We are not taking sides in this issue. The grant was given to an artist of recognized artistic ability towards the cost of a project that was going to advance her artistic development. Were we to be confronted with the same sort of circumstances on a different subject matter or with a proposal that took a different point of view on the development of abortion facilities in Canada, our approach would be exactly the same.

Mr. McKessock: As a supplementary, you are saying that what an association or anybody who wants to make a film is to do is to find the artist who can do the job and then the artist would apply for the grant.

Ms. Gouin: That is an approach that has been attempted; however, such approaches are usually transparent.

Mr. McKessock: But still you are saying that if the artist is capable you are going to give him or her the grant.

Ms. Gouin: If the artist has complete artistic control over the project, including the right of final edit, if the artist owns the project, including the right to the project, and if it is not obviously sponsored by someone else, then that is quite straightforward as far as we are concerned.

Mr. McKessock: It seems to me you are looking into the substance or the content of the movie when you are going to the extent of seeing whether there is an association behind the artist.

Ms. Gouin: Only inasmuch as we are concerned for artistic control.

Mr. Leluk: I want to ask a question on distribution of funding grants. Ontario is a large province. I take it most of the money would go to the central region of the province because that is where most of the activity would be. Do you have any figures on the distribution for the northeastern, northwestern, central or southern regions?

Ms. Gouin: No.

Mr. Del Zotto: We can get them for you. We do not have the distribution.

Interjection: We do not have it right here.

Mr. Leluk: Are you satisfied that the regions in northern and eastern Ontario are being given grants? Is there a fair distribution of funding?

Mrs. Koerner: I think it is pretty fair. Most of the activity seems to be concentrated in the southern part of the province, the London area, the Toronto area and so on. Obviously, the bulk comes here. We do try.

Mr. Leluk: An artist in Thunder Bay or Red Lake?

Mrs. Koerner: Absolutely. Sometimes an artist or an artistic organization in Kenora or Thunder Bay has a great impact on the life of the whole community. We keep that in mind.

Mrs. Stewart: We have board members from the north.

Mr. Ashe: That leads into the area I was going to get into in somewhat more detail. In that regard, I think this document is very biased; I am talking about a geographic bias. I would like somebody to explain in detail the makeup of the various units that review applicants or look for potential business before that gets to the council. Let me give you a few examples.

I appreciate that if you are talking about film making, Toronto is the place in Ontario. You talk about encouraging the development of talented film makers and so on; 36 out of 39 say Toronto. I am not disturbed by that, but I am disturbed about many of the other categories. Let me give a few examples. I could go through literally page by page and, I am sure, make my case nine times out of 10, but let me use just a few.

11:00

This is photographers, "To encourage the development of talented artists working in photography, through assistance with the production costs of fine art photographic images." Nineteen out of 25, Toronto; not Metro Toronto, but Toronto. "To facilitate the creation of works of art by talented artists using electronic media; to facilitate research of potential significant benefit to the arts community, into the creative possibilities of electronic media." Eight out of eight, Toronto.

For screenwriters--again I will acknowledge that is fair ball--it says, "To encourage the development of talented video artists through assistance with the production costs of their tapes." Eighteen out of 19, Toronto.

Mr. Grande: I thought you were not concerned.

Mr. Ashe: I said I am not talking about just--anyway, you be quiet and wait your turn.

"To encourage the development of talented artists working in photography, through assistance with the costs of exhibitions which are important to their continuing creative development." Again, I do not think that has to do with the film production business. Sixteen out of 23, Toronto--the city of Toronto, and not Willowdale, Scarborough, Etobicoke, North York or whatever.

"Grants to writers for works in progress. These grants provide funds for writers to complete a promising work of literary merit." Thirteen out of 16, Toronto. I could go on and on, but let me give one more example. "Towards specific professional artists' costs of one-time special projects or developmental cost of specific initiatives." Thirteen out of 15, Toronto.

All this tells me is that the whole council and/or the various adviser groups are so domiciled and so oriented to Toronto. As I say, when it is film

making, I can accept that. You do not have to explain it; I am sure it all takes place here, or nearly all of it. But when you get into the other artistic fields of writers and so on, surely in percentage terms--what is the population of Toronto? Is it 700,000? Is that in the ball park? Out of nine million people, it is not that concentrated in the city of Toronto as these would illustrate.

Mrs. Koerner: I will just say one word and then I will refer it to her.

There is a great migration of artistic talent from all over the province to a big city such as Toronto where there are the physical facilities, as well as the mental contact with other artists. We have discussed this at the board level many times.

Mr. Ashe: Surely they do not all live in Toronto?

Mrs. Koerner: They do--

Mr. Ashe: Do they not live in Willowdale, Scarborough or North York?

Mrs. Koerner: It is Metro Toronto. I think it must be Metro Toronto and not Toronto.

Mr. Ashe: But there are others that specifically say Willowdale or Scarborough. They are very few, but there is the odd one.

Mrs. Koerner: I was always under the impression that it was Metro Toronto where all this concentration is, but I will let Ms. Gouin talk--

Mr. Ashe: That is not what it says. Maybe that is what it means. Okay. If that is the case, that is a little more rational.

Ms. Gouin: Photography and electronic media are also my programs, as is screenwriting. As you noted with respect to screenwriting, the same situation as with film, the nature of Toronto as a production centre is such that these people are all going to move into this area.

The chairman has made the point, however, that Toronto has become a centre of artistic activity for the whole of English-speaking Canada and a centre such that it draws like a magnet people from all over the country to downtown because that is where the facilities, galleries and community and meeting places are.

Anybody who is familiar with the area of Queen Street, anywhere from Dufferin Street out to beyond Parliament Street, is aware that a very substantial part of the artistic activity of the province, and indeed of the country, takes place in that area.

The nature of all these disciplines, photography less so but all the others more so, is such that the demands and requirements for technological services for an interface with the commercial sector, which in these technologies is also located downtown, is such that all these people are drawn to downtown Toronto.

You do point out, "Are there not more applicants"--I am drawing this inference from what you are saying--"from other parts of the province?" I can assure you that not only are the juries composed so that there is

representation from other regions of the province, such as those represented by the applications to that particular competition, but also all the juries I have ever chaired will bend over backwards to acknowledge the special needs of those people outside Toronto, because in any of these highly technological forms of practice, they are disadvantaged by not being located close to the resources they all need.

What you are looking at when you see a list such as the one I think you quoted in respect of photography, with 19 in Toronto out of a total of 25, is a cross-section of applicants to that program.

Mr. Ashe: I accept that to a degree, because I appreciate and understand that the big city draws, particularly where the production centre is. I still have a hard time relating that to the average writer, unless he or she is a screenwriter--again, that relates to the film or video industry--but painters and writers generally, for example. I am sure the percentage goes down slightly from those you can directly relate to the film-making industry, but it still seems to be so strongly oriented to Toronto. I find that hard to accept to that degree. If it were half, I could say, "Sure, I am quite sure that, even though it is only a 10th of the population, it is half." But 70, 80, 85 per cent is hard to comprehend.

Mr. Pitman: I wonder if I might say a word about this, because it is an issue that has bedevilled every arts council in the world; that is, the whole business of how you ensure that those who are outside an area such as Toronto--in Britain, it is London. You have four symphony orchestras in London, and the question comes up: "All areas of the United Kingdom do not have this kind of artistic activity. How do we get it to happen out there?" There are many strategies that have been used.

I think the Ontario Arts Council has been more successful than any other arts council that I know in dealing with this question. For example, Mr. Ashe, if you look at our touring office, every penny goes outside Toronto. We do not have any money going into Toronto. All of it goes into communities that are outside this area, because we are trying to enable smaller communities to enjoy performing artists whom they can afford all over this province. Therefore, we subsidize Wawa to bring in Maureen Forrester or whomever, and we will subsidize that concert knowing they cannot produce either a facility that is large enough, probably, or certainly an audience that is large enough.

If we take a look at our arts in the schools program, you know we provide opportunities for artists who go into schoolrooms and spend a week or two with students in the hope that it will provide them with some idea of what being an artist is all about. We hope it will also perhaps even inspire some others to become artistic themselves. Those programs have an enormous advantage; that is, we provide a greater subsidy to schools that are above the French River than we do to those in southern Ontario.

We have our music officer here. We certainly have the Toronto Symphony Orchestra, which gets an enormous grant in terms of the size of other symphony orchestras, but there are 30 or 40 other orchestras across the province. I would say the majority of the time of our music office is spent with those orchestras and with the province they represent as opposed to the ones that exist here in the city.

You cannot be sure, looking at the numbers, that the amount of time and energy of the Ontario Arts Council that is devoted to Toronto is an overweening amount of effort. We also have a community arts program. Once

again, an enormous amount of energy is outside Toronto. There are about 60 arts councils, and all but three or four are outside Toronto. There are programs where almost all the resources go out of the metropolitan area. I can cite the summer theatre program within the theatre department. Almost all the money in that program goes outside Toronto to summer theatres in Blyth, Barrie, Orillia, Peterborough and so on.

11:10

When you are judging the artistic excellence of individual artists, however, it is virtually impossible to suggest you are going to be able to ensure that there will be as many in Thunder Bay, Ottawa, Kingston, Peterborough, Orillia and so on. It is a problem for every arts council that you have to adjust the question of artistic excellence and deal with the question of access of people in a large jurisdiction. I think the Ontario Arts Council has dealt with that problem more sensitively than any arts council I have experienced in the six and a half years I have been there.

Barbara, you are from London.

Mrs. Ivey: Yes. There is one thing--

The Vice-Chairman: Your name, please.

Mrs. Ivey: I am sorry. Barbara Ivey from London Ontario. I am one of the members of the board of the council who does not come from Toronto. There are a number of us--50 per cent or very close--who come from outside the area of Toronto, and we are there to represent the other areas of the province and to prove to Toronto that there is a life outside Toronto.

Mr. Ashe: Especially in London.

Mrs. Ivey: Yes, fair enough. Just off the top of my head, we have a very fine member from New Liskeard, one from Sudbury and one from Thunder Bay. They are very active in their areas, very conscious of what is going on in the arts and of what needs to be done. They bring that back to council and we all listen. We listen to various areas.

I want to suggest that there are more checks and balances than might normally appear. We are all conscious of the province and shudder when we think of the problems the Canada Council has in dealing with the whole of Canada. This is a smaller situation that is difficult in its own way.

Mr. Ashe: I accept with a grain of salt most of the explanations, but I do not think anybody has answered yet the one that I just cannot see. This is under the heading of writers: "To encourage talented Ontario writers and assist with their literary endeavours." This is a grant of up to \$5,000. You can go down page after page and they do not say--there are some that say Don Mills and Etobicoke, so I presume Toronto means Toronto. I still find that at least two thirds--and I am being conservative, as I always am--of them say Toronto. Surely all the writers do not live in downtown Toronto.

Mrs. Stewart: I am sure if we did a telephone survey of all these people you say live in Toronto, we would find a good percentage of them have come to Toronto in the past seven years. That is a fact of life. Five years ago they were probably living in Hamilton, London or Caledon East and they are now living here.

Mr. Ashe: With all we hear about how there is nowhere to live in downtown Toronto, maybe they should pass on to the Minister of Housing how they solved the problem. That might assist him because he is having some great difficulties.

Mr. Sargent: It is not often that I agree with last member who spoke.

Mr. Ashe: Thank you, Ed.

Mr. Sargent: I do not agree totally with you, but there were eight pages with about 450 names. Out of those, I cannot find Owen Sound there.

In regard to artists needing assistance for materials--that is only \$1,000, but if I were an artist, I would go to Toronto where the action is. With guys like Wally and you guys there, you could look after the rest of Ontario, but this book does not tell a good story for the outlying parts of Ontario.

While I have a chance to speak, I want to say we have a Summerfolk in Owen Sound and if it rains they have to go to council--

The Vice-Chairman: Would you please speak into the mike. I do not want to miss a word of that important--

Mr. Sargent: It is not on. The light is not on.

Interjection: It is on.

Mr. Sargent: Owen Sound has the best annual Summerfolk festival, but they have to go to council to get \$25,000 or \$50,000 to operate. People come from all over Canada, the top artists in America perform there, yet the festival cannot get proper funding. I wonder whether, after reading this document, we have a chance of getting some money from you guys.

Mr. Del Zotto: We are taking the brunt of something that really falls under arts education. This government should consider spending a little more money educating the people in the outlying areas as to what arts--

Mr. Sargent: What is available?

Mr. Del Zotto: More than what is available. Encouraging the young people to get into the arts. A young person from a small town in northern Ontario does not have the exposure, and that is why we push very hard to send tours up into those areas.

If you would give us the budget, we could spend a lot of money educating the people up there. It is a question of educating right in the schools, starting right in the districts, and that is not within our mandate. You have a whole arts education program under the education portfolio that I think we should handle, quite frankly, because we could do a good job of it.

If the Legislature wants to address a really important issue, let it consider how to tell the people in those areas that these things are available. How do you encourage the young people to stay there? How do you make it attractive for a painter to stay up in Sudbury rather than move to Toronto where he can meet others? It is the same problem we have with industry, with the mobility of all our people in this province and in this country. That is where it should be addressed, and not to this council.

Mr. Sargent: There is a great awareness on the part of the Premier now. He has increased support to the film industry recently, and people outside Toronto want to be part of that.

Mr. D. W. Smith: Just a supplementary to that question, this may sound political but I want to hear your answer anyway. If the province or the government were to direct \$1 million to you and said it had to go to communities of fewer than 3,000 people, would you be receptive to that?

Mr. Del Zotto: Sure would, provided we are not told to compromise the artistic requirements of anybody who gets the contributions.

Mr. D. W. Smith: But you would accept it on that basis?

Mr. Del Zotto: Sure.

Mr. D. W. Smith: I do not know whether that has answered the questions but, after listening to them all, it sounds as though the small communities either do not know about your programs or have not had the opportunity to get in on as many grants as some people would like. I did not know whether you would take that much direction or not.

Mr. Del Zotto: Sure would.

Mrs. Koerner: We should keep in mind that it is the professional artist we deal with. A lot of the activity outside Toronto is more on the amateur level, which may be why sometimes the grants do not seem to be as large in the rest of the province. There is a great deal of activity out there, but we cannot deal with that the way our mandate is structured. It is professional.

Mr. D. W. Smith: As soon as you use the word "professional," you have taken away a lot of the small communities.

Mrs. Koerner: That is our problem, right then and there, you see.

Mr. Del Zotto: We do not want to be the amateur arts council either.

Mr. Grande: I want to congratulate Mr. Del Zotto on his appointment to the arts council. It is a good sign when others in this province begin to get into positions where the decision-making process is at, vis-à-vis government structure, sports, commissions and others. Congratulations. I think you will bring into the council a dimension that was not there in the past, not because for any reason they did not want to do it, but another dimension which may move the arts in this province to accept or take into account the so-called others in this province.

I want to return to the arm's-length relationship, which has been questioned over and over again. Has a minister or ministry officials of Citizenship and Culture or any other ministry ever been influential in decisions that the council has made to grant or not to grant? Has that ever occurred? I am talking both historically and currently.

11:20

Mrs. Koerner: I am trying to think. Not in my experience, not as far as we can think back. They have always stayed with the arm's-length principle, though the present minister is the one who has stated it most often and most

publicly; not that the others have interfered, but she has made a specific point of stating repeatedly that she believes in the arm's-length principle.

Mr. Grande: In terms of the Ontario Arts Council, I understand--I am sure somebody will correct me if I am wrong--there are three different types of arm's length. Some agencies and boards are closer to the ministry and some are farther away from the ministry. You are schedule 3.

Mrs. Koerner: Yes.

Mr. Grande: That means you are at the farthest point you can get.

Mrs. Koerner: Yes.

Mr. Grande: With regard to the decision the jury of peers will make about grants, are there other systems used anywhere in the world that are different from the jury system? Before you answer, let me ask, before the arts council came up with the jury system and decided it was the best system to put in place, were there other systems in place that were less than satisfactory?

Mrs. Koerner: We have four different ways of giving out grants. In one way, for artistic organizations, the officer of the discipline talks to the people out in the field and determines what the grant will be and then proposes it to us.

Then we have the jury system, for individual artists. We have something we call the third-party recommender system, which is also for individual artists, whereby we give money to publishing houses and small art galleries and, in turn, they disburse moneys as they see fit to their writers or artists.

The last system is the formula-granting system in which we have programs that have a formula. If you produce this type of show, you will get so much money. There is no real magic to that one. Those are the four distinct systems.

Mr. Grande: Perhaps we can zero in on the jury system, because obviously questions are asked about that.

Mrs. Koerner: To zero in on the jury system, Mrs. Creech is the music officer for the council. She has come in. She had a meeting earlier, so I did not introduce her. She will answer that for you.

Mrs. Creech: My name is Gwenlyn Creech. I am the music officer.

The jury system is used primarily for grants to individual artists in the various disciplines. The officer empanels juries for each competition. None of us empanel juries that go on and on. For example, in the music office for commissions, we have two competitions a year for grants to composers. For each competition, I invite five people to serve on the jury. These are people I must be sure will have the confidence of the artistic community. They meet to consider all the applications and make recommendations to me for grants, which I take forward to the board.

At the second adjudication in the year, I have a totally different group of five people. At the most, I would repeat somebody on a jury about one jury in five. I might have one person who repeats. For example, each candidate may apply to the June jury. If he is turned down, he may apply again to the next jury for the same project. I do not inform the second jury that he had applied for the first one and been turned down. We feel he should have a fair crack without any kind of prejudice on the part of the jurors.

The jurors' names are published after the adjudication, along with the names of the winners. All the jurors' names are published in the annual report.

Mr. Grande: Another part of that question would be in regard to other arts councils in the world. I am sure you have probably combed them for their procedures and ways of disseminating available funds or whatever. Do they also use the jury system for grants to individuals?

Mrs. Creech: Yes. It is a very widely used system.

Mr. Grande: I am trying to be helpful to Mr. Leluk in putting his mind at rest, because he seems to be raising the same questions over and over again. Is there any method other than the jury system that either is in existence or has been used before that would receive wide acceptance within the arts community? After all, those are your constituents; they are the people you are serving.

Mrs. Creech: By and large, the jury system is the one that has been accepted in the western world as the fairest system. There are societies in the world in which government officials designate state artists. Those artists are chosen by bureaucratic methods within the government and they receive substantial government support during the lifetime of their artistic work.

We do not have a system of state artists here, as you know, and therefore, with all its difficulties, the jury system has been accepted in the western world. I was part of a group of 25 senior arts administrators from 22 countries who met in Britain a couple of years ago. We discussed issues of this kind and, generally speaking, we were all using the jury system in one form or another and had decided that it was the fairest.

It is not appropriate for me or people like me to be making decisions about artists. It is appropriate that their peers make those decisions. In our juries we try to introduce young people, as Ms. Gouin said, and people from outside the major metropolitan areas. Sometimes we use on our juries people from outside this jurisdiction who come in to give us a fresh look from outside Ontario. We have a mix of people from Ontario and people from outside Ontario and we let them exchange their discussion on the applicants.

Mr. Leluk: We have heard from the chairman that there are four methods of determining grants. Are you satisfied with those four? Do you feel there are some other ways council might make determinations in this regard?

Mrs. Koerner: We seem to be fairly satisfied. You seem a little worried about the juries. We are always worried about the juries too, because periodically we hear complaints that juries are biased or that juries look only at, say, the National Ballet and do not look at a kooky little dance company. We are always questioning what you are questioning, and questioning the officers to make sure that the mix of jurors is good and that they do not use the same jurors too often. This comes up every year.

The 12 of us are, on the whole, quite satisfied that it seems to be working and that it seems the most proper way to do it.

Mr. Grande: In other words, you are saying that some of the complaints to which Mr. Leluk is obviously referring, and complaints that one of the officers also mentioned were received, are complaints that, even with the best possible system you could have available, you will always receive from some people who are dissatisfied.

Mrs. Koerner: I think so. That is just the nature of man. There is always dissatisfaction with something.

Mr. Grande: Let me give you an example that might make the point to Mr. LeLuk. I do not know; perhaps not. If someone of impeccable artistic merit were to come to you with an application to make a film on the history of the Progressive Conservative Party in Ontario--

Mr. McKessock: Call it The End of an Era.

Mr. Grande: --as opposed to the history of the dinosaur party in the province of Ontario--you would go through exactly the same procedures, exactly the same steps, even though hundreds of my constituents would be very upset with that decision.

Mrs. Creech: Precisely.

Mr. Davis: It could be the New Democratic Party, too.

Mr. McKessock: Call it The End of an Era and the NDP, Part II.

11:30

Mrs. Marland: Following on Mr. Grande's question, I would like to ask the council representatives whether there is not something of a difference between a subject for which there is a federal statute and a political party?

Mrs. Koerner: I am sorry; I do not--

Mrs. Marland: All right. I will until I have more time to ask the question.

Mr. Grande: There were some questions asked earlier at the committee. I do not know whether you were apprised of it. On the first day we talked amongst ourselves and were briefed on the agencies, boards and commissions we are looking at and questions were asked about some organizations in the arts community. I understand that very few are directly funded by the ministry as opposed to going through the Ontario Arts Council. What is your feeling on that? I understand there are about three or four; no more than that. Some time ago they were talking about the Big 13 or the Big 12 or whatever.

Mrs. Koerner: Do you mean other organizations such as the Royal Ontario Museum and the Art Gallery of Ontario, which are sister agencies of ours? Is that what you are referring to?

Mr. Grande: Do I understand correctly, for example, that the Shaw Festival is--

Mrs. Koerner: Oh, no.

Mr. Grande: Okay. Anyway, some agencies are directly funded by the Ministry of Citizenship and Culture.

Mrs. Koerner: Yes, there are. You are absolutely right. I will now let Mr. Pitman reply.

Mr. Pitman: There are certain other agencies such as the Royal

Ontario Museum, TVOntario, the Royal Botanical Gardens in Hamilton and CJRT. These are sister agencies and you might say we are all part of the world of the Ministry of Citizenship and Culture. As well, two groups are funded directly by the ministry. One is all the art galleries. In essence they are provided with their base operating funds by a ministry grant, which is almost done on a stated, rational process. We provide artistic advice to the ministry in terms of all these galleries, but the ministry decides the level of support.

They are also our clients in the sense that one of the Oakville art galleries, for example, will receive a grant from the ministry but might come to us for projects. If they want to mount certain kinds of shows, they will come to us for project support, so both of us in a sense are involved with that gallery. The other group is the service organizations such as a choral federation and the Ontario Federation of Symphony Orchestras. These are the two essential groups that the ministry funds that are common clients with us. They are the only two groups.

A moment ago you mentioned the major institutions, the Shaw Festival, the Stratford Shakespearean Festival, the Toronto Symphony, the Canadian Opera Company and the National Ballet of Canada. They are completely under the Ontario Arts Council. We deal with them through a highly developed process whereby resources that come from the ministry are designated to those organizations on a basis agreed on by the ministry and the arts council.

Mr. Grande: Grants to the Royal Ontario Museum and TVO go into the millions of dollars a year, -TVO through the Ministry of Education and the Ministry of Citizenship and Culture and the Royal Ontario Museum through Citizenship and Culture. The last time I looked at those budgets, I guess it was somewhere around \$30 million, if not more than \$30 million.

Is there an explanation from the ministry as to why those specific agencies are dealt with in a separate way, in a direct way, by the Ministry of Citizenship and Culture or the Ministry of Education in terms of their funding? Is it historical or is that they are too big for the Ontario Arts Council?

Mr. Pitman: Also, they are actually doing programming. TVOntario is actually a producing institution. We do not produce any programs, films, plays or music. We provide the resources to other people to do that. It is quite rational that there should be other agencies that are dealt with directly by the ministry. Historically, it has always been that way. We have never had any responsibility for any of these organizations.

Mr. Grande: Given the independence of the Ontario Arts Council and the at-arm's-length relationship we talked about a few minutes ago, how do you feel about that?

Mr. Pitman: We have no concerns about that whatsoever. In fact, we have a considerable degree of co-operation with these organizations. TVOntario deals with us in terms of arts programming. We have interaction with it. The agency heads meet together on occasion and discuss ways in which we can assist each other. There is the Ontario Film Development Corp. that has been set up and we would be glad to say more about it. We have a good relationship with them. We think that our programming and their programming will be complementary as opposed to being in any way divisive. We are quite pleased with the way our mandate is being carried out.

Mr. Grande: As I recall, during the latest commission report, the

Macaulay commission report, the point was made over and over again in terms of the at-arm's-length relationship that the Ontario Arts Council would not want to see the Ministry of Citizenship and Culture deal with other arts organizations in a direct way in terms of funding.

Mr. Pitman: We think it is advantageous both for the arts and for the perception that the arts are free in Ontario. One of the things I became aware of when I was in Vancouver last summer is the envy that artists who live in other jurisdictions have for Ontario and the way in which we have been able to handle artists through the Ontario Arts Council. It is in the best interests of the politicians as well. It is better because we have to say no to a great many people. When a large number of artists want support, you may have to say no to 19 of those artists for the one person you are able to give some resources to. That is not a popular thing for politicians to have to do.

On top of that we can do it on the basis of systems that, as our chairman has indicated, are seen to be equitable and fair. It is not that they do not have problems. I once said that the advisory system is like what Churchill said about parliamentary government. It is the worst system in the world except for every other system. The problem is you have to deal with those difficulties. As you can see this morning, we have a very active and expectant board that insists we as a staff deal with those problems day by day.

Mr. Grande: In the past year--it has been talked about for three or four years--some funds were put aside for the Ontario Film Development Corp. on a yearly basis. I think it is about \$20 million; \$6 million a year or whatever it is. I would like to know how that corporation impacts on the arts council in terms of film development in the province.

Mrs. Koerner: I will let Ms. Gouin take that.

Ms. Gouin: I believe the budget is \$20 million over three years. I stand to be corrected but I think that is correct. The introduction of the Ontario Film Development Corp. is a very welcome thing for us. For quite some time, our people have attempted to address our programs of support to projects that are inappropriate for our objectives by the scale and nature of the market they are attempting to address in our country. In the absence of any other means of provincial government support, they had no place to go. With the advent of the Ontario Film Development Corp., we now see a spectrum of government assistance to a very broad community of involvement in the film and video media, which provides us with a very realistic and promising climate for the continued development, and indeed accelerated development, of film and video production in this province.

I would like to point to a film from Alberta in the current Festival of Festivals, Loyalties, which speaks very well to the involvement of provincial film development corporations in the production of Canadian feature films.

Mr. Grande: The point is whether there is any duplication.

Ms. Gouin: No, none. We do have a co-operative agreement whereby films of a certain scale could be eligible for support from us and from the Ontario Film Development Corp. through its special projects category. This special projects category is meant to address films of a smaller scale than is usual in industry standards, films that also possibly concern themselves more with cultural values than industrial values. The OFDC criteria still apply in the sense that there must be commercial market potential for the projects. It is conceivable that an artist could have a project that is completely

satisfying to our criteria for that artist and for the nature of the project and also for OFDC criteria through its special projects category.

In that situation, we would provide the OFDC with the assessment of our adjudication panel, where that adjudication panel recommended a positive response to the request. In other words, if our panel members wished to recommend to the Ontario Arts Council that it fund these projects, they would make their assessment available in writing, both to the film maker and to the OFDC. The OFDC has indicated that such projects will be given priority under its special projects category.

To restate, our criteria would remain the same and their criteria would remain the same, but there is a possibility we could be involved in the same projects, which we see as being advantageous to both agencies.

Mr. Grande: In other words, you serve different types of clientele, but in some cases you may serve the same clientele.

Ms. Gouin: That is correct.

Mr. Grande: I want to ask a question regarding a report I saw coming from the Ontario Arts Council, a discussion paper on the proposed changes to the treatment of lottery proceeds in Ontario. It is obviously a very current situation in the sense that, as you all know, the government is in the process of having Bill 38 before the Legislature. That bill is going to get rid of the designation of certain provincial lottery funds to the arts and arts organizations and the artistic community.

I want to congratulate you on that document because it speaks to the independence of the council in supporting its particular constituency. I understand it was instrumental in galvanizing the artistic community or informing the artistic community in regard to what is coming down. My question is, should Bill 38 go through, and the Treasurer insists for some reason or other that it will go through, how would that impact on the council?

Mr. McKessock: I would like a little clarification of that. You say it would take away funds. My understanding is it would take away the designation of lottery funds, not necessarily take away funds.

Mr. Grande: By taking away the designation, you would not have a certain amount of funds for a particular designated area, and therefore, that area would have to fight like cats and dogs to get some money.

Mrs. Marland: They would be in the cabinet sweepstakes.

Mr. Grande: My question is, should that go through? Should the provincial lottery proceeds be undesignated? How does that impact on the Ontario Arts Council? Obviously, a lot of the organizations that get money through Wintario grants or whatever will not have that support any longer, and they are going to be looking to you for that support or they may not have that support any longer.

Ms. Gouin: They may not; we do not know. Certainly any move that takes away moneys designated for culture that will impact on our clients will finally impact on us, because they will come back to us for more. It happened when Canada Council was receiving so little money. A lot of our clients would come and say, "Our budgets are in a terrible mess because Canada Council is not giving us money, so please do something." We really cannot.

I will let Mr. Sirman speak to that.

Mr. Sirman: I am Bob Sirman, the director of operations at the Ontario Arts Council.

The council feels it does not wish to take a stand yet on Bill 38. It is not that we agree or disagree with the bill. We feel it is in the public interest to have some discussion on the motivation or the rationale behind the removal of the designation clause at this time, which is the position of the government at the moment.

We believe very strongly there is a suggestion here that the needs of the cultural and recreational fields are not pressing enough or great enough to use the resources that have been generated by the designated lotteries since 1975. They are the three Ontario Lottery Corp. lotteries: Wintario, Lottario and the new instant game.

We do know that in 1980 the Ontario government was forced to suspend its capital program under Wintario because the needs and the projects so exceeded the ability of those three lotteries to generate sufficient revenues that the program was overcommitted, and for three years there were absolutely no approvals for new capital. It is only recently that the capital programs have been reintroduced.

It is our feeling that the need of communities in the province--especially outside, but including Metropolitan Toronto--to have their first professional theatre or their first performance space that would allow them to have classical music in an environment that has any kind of acoustical quality whatsoever, or to have public galleries of some kind that would have sufficient environmental controls to have fine art displayed, has not yet been totally addressed. There does seem to be, in our opinion, sufficient pressure for activities and initiatives in the cultural and recreational field to continue to expend the revenues produced by the designated lotteries in the province.

In the suggestion of the Treasurer and in Bill 38 itself there are no assurances that the same funding levels for the designated lotteries will continue to be designated to culture and recreation in the future, so we feel there is a need to raise that question. There is a suggestion in the explanation for the bill that access to these moneys would be turned over to other areas, such as health, health research, health capital, senior citizens, etc. This suggests somehow that less money will be available in this field, and we think there is a need for some clarification there.

Generally, we feel the public is not fully informed about the complexity of the lottery field as it currently stands. Thus, although we as an organization have not taken a stand for or against Bill 38, we definitely are trying to introduce some discussion to challenge the assumption that the fields of culture and recreation are not a sufficient priority for the province, the people and the government of Ontario and that there should not be some assured funding in these areas in the coming years.

11:50

Mr. Grande: Mr. Sirman, you prepared the report I am referring to?

Mr. Sirman: It was prepared by a number of us at the staff level on the direction of the council.

Mr. Grande: It is a fact, then, that even in the provincial dedicated lottery proceeds \$292 million have not been spent.

Mr. Sirman: That is correct.

Mr. Grande: Even the designated ones have not been spent?

Mr. Sirman: That is correct.

Mr. Grande: Is it not also a fact that, when you talk about supporting capital costs for hospitals, cancer treatment, universities, education, etc., there are also proceeds from the interprovincial lotteries that may be dedicated to that, and there is a huge amount of millions of dollars that have not been spent in that category?

Mr. Sirman: From our research, our understanding is that the amount in the latter category will approach \$500 million as of the end of this fiscal year, and in the designated area it will approach approximately \$200 million. That is correct. This is an indication, however, not of an absence of pressure for these funds but of the policies of the government--

Mr. Grande: Just a continuation of programs.

Mr. Sirman: That is right.

Mr. Grande: Let me go to the last question. I will probably ask some more this afternoon, but as a last question for now, in terms of that which I congratulated Mr. Del Zotto before, Mr. Pitman knows that for the past number of years I have been trying to talk to the Ontario Arts Council, whether in estimates or not, about multicultural arts.

My experience is that there are hundreds, if not thousands, of little, tiny groups that do their art within the ethnic communities that rarely get any support from anywhere. Some of them are darn good musicians and artists. I find that those people are so frustrated that they leave their art. They find a job with the Toronto Transit Commission or in some other place and they abandon their art. In view of the different classifications you have--music, film, etc.--what prevents the OAC from developing a category called 'multicultural arts'? Is there any problem?

Mrs. Stewart: I am the chairman of the communications committee, which has been looking at multiculturalism. This is something I believe in very strongly, but I do not want multicultural arts to be in a ghetto. What I want to do is bring the best of Indian dancing, Japanese mime or whatever into mainstream programming.

I was a director of Harbourfront for many years and I was involved in setting up the programming at Harbourfront, where they had been extraordinary in bringing all types of art forms to people in a democratic, large-scale way. I am very nervous about getting multicultural art in ghettos.

Movies today have brought people from all countries into the mainstream. I have been going to the Toronto film festival. There are so many films that show people from all over the world together in prize-winning movies.

At the Ontario Arts Council the first thing we have done is to commission a report on dance. Dance is easier because it does not use language. I do not believe language is a barrier either, because in films we have subtitling and in theatre--

I have looked into this--because I am a director of the Asia Pacific Foundation of Canada--to see how we can bring everything connected with Asian art into Canada. You can have simultaneous translation of plays today, and it works. You hire a translator and you rent equipment. The translator costs \$30 an hour, so again, we cannot use language as a barrier in terms of plays. We have to find the best in different groups and bring them into the mainstream.

That will take two stages. You do not come into the mainstream immediately. At Harbourfront they had the community arts gallery, and multicultural artists showed there first and then worked their way up.

We have commissioned a dance report, which will be out in two weeks and which will be looking at all the people involved in multicultural dance. Maybe we will come up with a program of some kind within our programs. We are not quite sure how to do it yet. Maybe we have to have a multicultural program and have the best people apply, but again, in Ontario there are many different communities and many different languages, so we need to find ways of choosing the best.

It is possible because, for example with Indian dance, there are different universities in North America and there are faculties of music and faculties of dance, so you can get jurors. We can bring somebody in from Harvard or whatever to judge people so that we find the right people to judge the right arts. That can be a problem, because people brought up in one tradition may not know how to judge music from another tradition.

I really believe it is possible, and we have to do it now because this is the right time in Ontario to do this, but we will need more money for it. You cannot have a new program without more money unless you are going to be like the Canada Council and just chop programs completely and say to the Toronto Symphony Orchestra, "We are not going to give you any money." We cannot do that, so we are going to need some money for it, but I really believe the time is right for it. I believe we have to do it.

We are also looking at making people in different communities aware, through all the different community newspapers, of the arts council programs, because some of those people may not be aware of everything that is available to them and they do not apply.

Our list of advisers--and I have looked at them carefully--has names from all the different multicultural communities, and our jurors already have many names. I have looked at that.

In publishing, a lot of writers, for example Indian writers, are writing in English, and they have got grants. I have looked at their names very carefully. There are three whose books are about to come out who have already been reviewed by Ken Adachi, and they are going to be outstanding books.

A lot of multicultural people or people in the visual arts and painting are already getting grants, except that they are not identified as multicultural people.

I believe in community arts programming. We do fund a lot of--I have a list here. We fund the Guelph and District Multicultural Centre, Hungarian Folklore Ensemble, the Veselka Ukrainian Dancers in Thunder Bay and Welland Heritage Council and Multicultural Centre. We are doing it, but maybe we should be doing more. I am certainly approached by people because I am perceived as the person on the council most open to approach all the time. We

have discussed this at board meetings. We want to do it, but we want to do it at a professional level, at the mainstream level. I really do not like putting multicultural programs into little ghettos.

Mr. Grande: I can appreciate that you do not want to ghettoize multicultural arts.

The Vice-Chairman: Mr. Grande, I will have to call your attention to the clock, and I would advise members who have been so patiently waiting their turn that Mr. Ward is next, Mrs. Marland and Mr. Leluk. Do you have any more questions or--

Mr. Grande: I have just a supplementary to that. That was my last question actually; just a supplementary to that.

When you talk about professionalism, the multicultural groups I know can be classified as good amateurs, but without any support they will not get past that stage.

Mrs. Stewart: I agree with you. We need a little bit of affirmative action there, and I am totally for it. However, we have to come up with programs as a first step. We have talked about this.

Mrs. Koerner: We have discussed it at great length.

Mr. Grande: I would urge you to do it with speed.

Mrs. Stewart: Give us the money and we will do it. I am certainly for it. I have already brought it up at board meetings and we have brought it up in the committee, so we are ready to do it. Give us the money.

Mr. Grande: You would have the money if it were up to me.

The committee recessed at 11:59 a.m.

STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO ARTS COUNCIL

FRIDAY, SEPTEMBER 12, 1986

Afternoon Sitting



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Ashe, G. L. (Durham West PC) for Mr. Gregory

Davis, W. C. (Scarborough Centre PC) for Mr. Rowe

Grande, T. (Oakwood NDP) for Mr. Hayes

Sargent, E. C. (Grey-Bruce L) for Mr. Poirier

Ward, C. C. (Wentworth North L) for Mr. South

Clerk: Arnott, D.

Staff:

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ontario Arts Council:

Koerner, S. N., Chair

Pitman, W. G., Executive Director

Del Zotto, E., Chairman, Finance Committee

Gouin, J., Film/Photo/Video Officer

Sirman, R., Director of Operations, Finance and Administration

Frith, V., Literature Officer

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Friday, September 12, 1986

The committee resumed at 2:10 p.m. in room 230.

AGENCY REVIEW:
ONTARIO ARTS COUNCIL
(continued)

The Vice-Chairman: We will bring the session to order. Mr. Ward?

Mr. Ward: Specifically, I would like to ask some questions with regard to the funding of schools of art and some of the alternative schools in the province. Before getting into that, however, I would like to make a couple of observations from this morning's discussion, particularly relative to the investment by the council in films on various subject matters that came up.

I want to applaud the council and the individual this morning who responded to it because, as a politician, whether I agree or am comfortable with the subject matter that is funded by the Ontario Arts Council, I think it is even more imperative that the council and cultural agencies maintain their independence, their discretionary process and their freedom. These are in fact very subjective matters, and when one considers the alternative--and we have seen it in other countries and other jurisdictions--on which subject matters are taboo and which are not, whether I agree with the subject matter of that film is totally irrelevant.

I would not care if you funded that or a film on the other side of the issue, but I do want to applaud you for sticking to your guns, and I hope that you continue to maintain your freedom and your discretionary aspect. I do not know how you give objectivity to something such as art anyway. That is a contradiction in terms right off the bat.

Having said all that, I will now turn to an issue that is very much of parochial interest to me, because the riding I represent also happens to contain one of the alternative schools of art, the Dundas Valley School of Art. I am looking at your one page here, which indicates you give funding for training and formation of these schools of art. If I looked at it totally superficially, I would see that the Dundas Valley School of Art receives \$57,000 in Ontario Arts Council funds, while Ottawa receives \$16,500 and the Toronto School of Art receives \$10,000.

I am interested in knowing what the council's policy is with regard to these, and I want to try to put this into some sort of perspective. I wrote to the council some time ago--and I have the response with me today--expressing some concern that the level of funding had decreased over the course of the years. I can accept the explanation I got that, given the financial constraints the council operates under, you "had to make some uncommon but necessary refocusing of council's assistance." You go on to stress that this was not a decision that was based on any qualitative criteria.

To me, that seems to contradict all the things we talked about this morning. I do think the criteria should be qualitative and nothing but that. I am at a bit of an advantage in that yesterday--and it was just coincidental--I

happened to receive the financial statements of those three schools of art, and I want to put to you that you have three very distinct circumstances. This gets back to something Mr. Ashe said today.

We have an alternative school of art in the city of Toronto. At the same time, you also have the Ontario College of Art, which is fully funded, not by the council but by the provincial government to a large extent. This area also happens to contain the Art Gallery of Ontario.

If we shift from that and go to the city of Ottawa, again you have a very large urban community, a population of 400,000 and an enormous tax base. You have the National Gallery of Canada, which is funded by all the taxpayers in this province, and you have an alternative school of art that receives a level of funding.

To put all this into context, we get to the Dundas Valley School of Art in a municipality of 20,000 people, in a very industrialized region, a region--and I know, because I served on the finance committee there--that extensively funds the arts, including the Art Gallery of Hamilton, through the municipal property tax base to the tune of several hundreds of thousands of dollars.

Given these three schools and looking at the context in which they operate, and given that a small community such as Dundas can provide an alternative facility such as this for 2,000 students, compared with the 260 in the Toronto school and the 2,000 in Ottawa, I object to your making that uncommon but necessary refocusing and ignoring that the context within which it operates is beyond comparison in any way whatsoever. Can you respond to some of this?

Mrs. Koerner: It had to do with the full-time professional component of each school. The level of our funding was determined by that, but let me have Mr. Pitman answer that.

Mr. Pitman: I think the terminology in relation to that letter dealt with the broader issue of the priority the council has been giving to the question of training over the past number of years. This has been a very continuing and difficult problem for us. It comes down to the fact that a few years ago, we had to make a decision about what we can support. We came to the conclusion that training had to be a lower priority than the support of ongoing professional performing arts and individual and literary arts as well.

Therefore, the council made that decision about the priority as to whether it should be involved in training. That priority may change. We are going through a process now, which I hope you will have a chance to hear about, in which we are going to look at all 90 programs and make an evaluation of those programs. We may very well make some changes in our priorities, and the council may decide to shift back in that direction; I do not know. That was the point I was making in terms of that refocusing, not the Dundas school in particular.

Within the whole question of training, because training is a monstrous activity, if we ever began involving ourselves with all the training that is going on, where would we stop? There is the Royal Conservatory of Music, which has thousands and thousands of young people. There are dozens of other music schools around the province. As you pointed out, we still have those three alternative schools; there were several more a couple of years ago, which now have gone, such as Three Schools and so on. It is an enormous problem to what

extent an arts council should be involved in training at all.

However, we have maintained our commitment to these three schools, and this is another example of something that has also gone between the ministry and ourselves. At one point the ministry was responsible for this area. We have taken on that responsibility. In this case, as our chairman has pointed out, our sense is that we cannot be seen to be involved in any way with what we would call recreational training. Every school, university and college in Ontario has an extension program. There are hundreds of thousands of people involved in crafts, visual arts or in taking music classes, band classes, etc. It is an enormous industry we could put our whole budget into and it would disappear in a second. We had to try to single out one component, what we call the professional component, which relates to those students who are going through this process of becoming professional artists.

In each of those schools we have tried to single out those areas. We are very much aware of the difficulties the Dundas Valley School of Art has. We have spent a lot of time giving counsel and trying to encourage them to develop some other ways of raising money. We tried to encourage the municipality and the larger community--because those students are coming not only from Dundas but also from Hamilton, Welland and the whole Niagara area--to support that school more effectively.

The problem we have is that school is actually funded at a far higher level than the other two. As you said a moment ago, we have to judge them on the basis of our advisers, who, incidentally, are doing a very good job; we have no question in that area. What we found ourselves in was the anomaly of supporting Dundas at a much higher level than the other two. We have tried to phase any kind of shifting downwards over several years so we would not damage the program at Dundas Valley. But until we change our priority and training becomes a higher priority, and then in terms of that, until we ourselves can see some equity and fairness in what we can give the other schools them, I am not sure we can do very much more than we are with Dundas.

14:20

Mr. Ward: I understand all that. At the outset I spoke about looking superficially at the dollar amounts. It is undeniable in terms of the hard facts: \$57,000 as opposed to \$16,000.

There are a couple of points I want to drive home, and I will write to you further on this. I know even some of the information that has filtered back from the ministry. Without getting into it much further, one of the real concerns was the level of municipal support that was available.

Mr. Pitman: That is right.

Mr. Ward: For me that is difficult because, having sat for three years on a panel at Hamilton-Wentworth regional council's finance committee and having taken part in the allocation of that funding, I find that a great source of frustration is that, first of all, "Hamilton-Wentworth is an industrial heartland, not a cultural community." I will tell you, it is one heck of a cultural community. I believe the level of support is there, and it is substantial, but they have had to carry the burden of trying to compete with a Toronto that gets the provincial resources, as it should, for the Ontario Art Gallery and the Ontario College of Art and of trying to compete on an equal basis with Ottawa, which gets all that national funding.

I put to you that the region of Hamilton-Wentworth, in terms of its contribution to the artistic community, is second to no one else, including those two other municipalities. I do not honestly believe there is a problem in lack of support at that level. There is a problem in not having the resources that the other two communities have and, probably on a per capita basis and even on an assessment basis, giving a far greater contribution than either of those other two centres.

The other thing I want to reiterate is that, in looking at the three schools--and you try to make objective sense out of some of these data--the budget of that school, if you take its total revenues on a per capita basis to the student population, is operating at about \$120 per student whereas a small one in Toronto is operating at \$500 per student.

Mr. Pitman: But you have to differentiate between what we would call the recreational element in that--

Mr. Ward: I frankly do not believe that in either one of those schools--and I have a lot of familiarity with the Dundas school--you will find any difference between the students in that school, whether they are part-time, full-time or whatever--and the students at the Ontario College of Art. I do not believe the Dundas Valley School of Art generates that much in terms of the recreational aspect; it is a highly professional facility. Again, I do not want to take up all of the committee's time or all the council's time on this, but I do want to stress this, given my familiarity with it over the years.

Mr. Pitman: I agree with your comment that the Hamilton region does support its artistic activity quite generously. I know that, as far as the Art Gallery of Hamilton is concerned, it does quite extraordinarily support that institution. With the Hamilton Philharmonic Orchestra, it is really quite amazing.

Mr. Ward: And Opera Hamilton.

Mr. Pitman: Opera Hamilton also gets it; we are quite aware of that. Perhaps there is some need to take a look at the way in which that municipality is divided.

Mr. Ward: It gets back to what George was after this morning. It is very true: The artistic community is going to gravitate towards Toronto because this is where the facilities are. There are also some external factors that almost force that shift, just as there are some external factors from a national perspective that would encourage artistic endeavours to congregate in Ottawa. The other communities do not have that advantage. That is something I want to underline for everybody here when we consider these decisions down the road. All is not equal, particularly when those two other centres are involved.

The Vice-Chairman: Mrs. Marland, at long last.

Mrs. Marland: At the outset, I congratulate the newly appointed members of the Ontario Arts Council. The history of the Ontario Arts Council with its commitment to the performing and visual arts in our province is one of which every member who has been associated with it, and indeed all the citizens across the province who benefit from the commitment to your mandate and the work you do, can all be proud. As a citizen who is not endowed with any of those talents, I revere everyone who is. I appreciate on my own behalf everything you do in your commitment to fulfilling your role.

I have a number of questions on a number of different areas. There was some reference this morning to art education. Perhaps it was by Mr. Del Zotto in a response this morning. He was here; I guess he has left for a moment. It was his response or perhaps yours, Mrs. Koerner, about art education, about getting the schools to have as part of education the goal of having young people recognize how art in all forms can contribute to their lives, recreationally and professionally. I guess that was the intent of the comment.

I wonder what the Ontario Arts Council is doing about that concern. I raised this as Citizenship and Culture critic for the Progressive Conservative Party in the estimates of the Ministry of Citizenship and Culture earlier this year when I asked the minister, Dr. Lily Munro, whether she would be willing to approach Sean Conway, Minister of Education, to plan directly and in a very realistic way to address exactly that void.

I am very aware that if we are going to get into cultural sovereignty and all the other related subjects to do with free or freer trade, we have to do far more in Ontario to develop our arts industry. I am saying "arts industry" specifically, so it is not confined to the craft industry.

Dr. Munro said she would speak to the Minister of Education. I have not received anything back as to whether that has been accomplished, and I am not aware of any announcements of any new initiatives in the area of education in the province that would address exactly what is obviously your concern and has been mine for a long time.

Mrs. Koerner: As I am sure you know, we have a creative artists in schools program; it is a partnership between us and schools. We pay 70 per cent of the cost, and the schools pay 30 per cent. The idea is that a school principal, say, and an artist will get together, devise some kind of artistic experience, program or whatever with a group of children or a class and send all the details and apply for a grant for it. It is very successful. We do not have enough money to fill anything like all the requests we get.

It is a small step to expose children of all ages all across the province to a real, living artist performing his craft and involving the children in it as well. A painter will come and paint a mural, for instance, with the kindergarten class. It sounds silly in a way, but it gives the children a chance to get into what art is all about. We have painters, poets, writers and musicians, all of them participating in this program, but as I say, the schools and the artists apply to us for it.

I know the minister has tried to involve the Minister of Education (Mr. Conway), and Mr. Pitman is much more aware of what those initiatives have been, so I think I will ask him to help on that one. We have tried to increase this program.

14:30

Mrs. Marland: The program you were just speaking about is elementary-based?

Mrs. Koerner: No. It is kindergarten through grade 13.

Mrs. Marland: It is in the secondary level?

Mrs. Koerner: Absolutely. It can involve only one class; it can involve all the primary or all the high school. It is variable in length and in age.

Mr. Pitman: I think I can say that the member's interest has been addressed by the ministry. We have initiated, in consultation with the Ontario Arts Council, a program that the ministry is funding, the purpose of which is to encourage professional organizations that are performing in the schools and community organizations, home and school associations, to hold workshops and to promote the arts, so the schools will increase their interest in this area. That program has been initiated just in the past two to three months.

Interjection: Since July.

Mr. Pitman: Since July; so it will really operate next year. That came as a result of the minister working with the Minister of Education.

As well, there now is a liaison committee with the Ministry of Education and the Ministry of Citizenship and Culture. That liaison committee has been following up on certain ideas, one being the question of the training of teachers. One of the major problems is that teachers, especially elementary schoolteachers, do not feel comfortable in the arts. One of the ideas that has come forward is that of a summer institute, in which we might well bring teachers together with artists and give them three or four weeks of experiences with artists, which would enable them to go back to their own communities. We might be able to involve ourselves by tying that to support from the Ontario Arts Council to bring artists out to the schools in which those teachers happen to be working.

Those are the kinds of ideas that have been coming out. We have been working very much in the ministry, along with a committee of the Ministry of Education that Mr. Barton has been chairing.

Mrs. Marland: How old is this liaison committee?

Mr. Pitman: I would say it has been only the past year, the past number of months.

Mrs. Marland: I am just delighted. You probably did not know, but that was an idea I initiated with the minister at our estimates meeting earlier this year. I am sure it had been discussed before a number of times in a number of areas, but I am very encouraged to know that is ongoing.

Mr. Pitman: There is a great deal more discussion going on between our ministry--I should say "the ministry"--and the Ministry of Education. I can assure you of that.

Mrs. Marland: It just seemed a logical route to me, and I am very encouraged to know that has happened. The other part--

The Vice-Chairman: Is this a supplementary?

Mrs. Marland: May I finish the part I am in the middle of?

The other part of twinning the two ministries is the aspect of beyond the secondary school age group where we hope to have more funding available--and obviously you would be the logical vehicle for that funding--to develop a crafts and arts industry to the extent that--is New Brunswick the province that heavily funds those programs in terms of industry?

Mr. Pitman: I am not sure I can be very helpful.

Mrs. Marland: Or is it Nova Scotia? It is one of the maritime provinces that has that. The provincial government is very conscious of both the need and the benefit of funding that kind of industrial program.

Mr. Pitman: There is a great deal, probably more within the area of the Ministry of Colleges and Universities. For example, Sheridan College is nationally renowned.

Mrs. Marland: I know, but that is the very reason I asked the question. The Sheridan College art campus has--

Mr. Pitman: Has been cut back.

Mrs. Marland: It is in my riding. I am a former member of the board of governors of Sheridan College. I am aware of the cutbacks in the art program at Sheridan College. That was the purpose, the total base of my question. It has been very good, and certainly there is no question about the renown of Sheridan College, but the reduction in the courses and the programs is of tremendous concern to me and to my constituents, the great majority of whom are very interested in the performing and visual arts. The Ontario Arts Council must be very concerned to see that. That is what I addressed to Dr. Munro.

Mr. Pitman: We have indicated our concern about that through various channels. We have tried to support this program at Sheridan.

Mrs. Marland: Yes, but are you expressing the concern in any other way? We have other, far less wealthy provinces doing far more for their arts industries than we are in Ontario, especially now.

Mr. Pitman: In terms of advocacy, I think we have made ourselves a bit of a nuisance in many areas, trying to encourage more opportunities for young people, both within the elementary and secondary schools as well as in the post-secondary sector. Our funds are not directed in that way and therefore it is not part of our mandate.

Mrs. Marland: No. I can see that your funds would not be, because obviously they are education funds. If anyone has the knowledge and advice, and consequently the leverage, you are the people who have that background.

During that same meeting of the estimates, I discovered \$13 million from that ministry had been funnelled back into the general revenue and had not been allocated for cultural and recreational purposes. It gave me a great deal of concern to hear that programs which should be funded by the Ministry of Education are not available or are being cut back. You see so many struggling arts groups in all different areas, yet you know there has been \$13 million allotted in a budget and not dispensed or allocated, then returned not even into that ministry but to the general revenue.

Mr. Davis: I have a couple of quick supplementaries. Mr. Pitman, I understand you to say there was some kind of discussion about the implementation of a new program in the educational system, such as artists going to the school or travelling theatre groups going to the school, that the ministry now is encouraging and taking over.

Mr. Pitman: No, quite the opposite. It became quite clear, and may have been as a result of the discussions here at the Legislature, that the ministry did want to assist in this area. They did not wish in any way to

interfere with our program, the one the chairman has described. We had discussions with our officers and the ministry and out of that came the class connections program.

Mr. Davis: What is the program?

Mr. Pitman: In Ontario we are very lucky to have some world-class organizations--theatre companies, dance companies--that take it as their main mandate to go into the schools and provide first-class experiences for those young people. In many cases they need money to promote what they are doing. They need money for better advertising, for better mailings, possibly for someone to go into the school area and meet with people who are involved in the arts education in those classrooms. This program will allow those organizations to apply to the ministry for funding to do that.

Mr. Davis: Which ministry?

Mr. Pitman: The Ministry of Citizenship and Culture.

Mr. Davis: What about your program?

Mr. Pitman: We directly fund, let us say, that theatre company to do the productions and to put those productions on in the schools.

14:40

Mr. Davis: What is the relationship you now have with the Ministry of Education in that?

Mr. Pitman: The Ministry of Education in this case is simply co-operating. It is pleased to have this.

The Vice-Chairman: Mr. Davis, please use your mike.

Mr. Davis: Okay; I understand.

Mr. Pitman: Another part of that program, as I understand it, is that the home and school association or the Kiwanis club in that community which has an interest in arts education can apply to that program and get some resources to put on a workshop or to have a day in which artists, teachers and administrators get together to try to encourage the schools, especially the schools where they have not been accessing our program, to get interested and to get some action going on in some of those communities where not much has been happening.

Mr. Davis: Thank you. That clarifies it for me. You mentioned there may be a possibility--or it may be on stream and I am not aware of it--of a project to train teachers in the various aspects of the arts. I think your words were that the elementary teachers would feel more comfortable. Is that program operating now?

Mr. Pitman: No. It is not.

Mr. Davis: Is it going to operate?

Mr. Pitman: We hope so. It is in the planning stage.

Mr. Davis: Who will fund it?

Mr. Pitman: That also is still being determined; it may well be the Ministry of Citizenship and Culture as well as the Ministry of Education. What we are doing right now is looking at projects that are going on in another country, really one that is going on within Rochester, New York. We have had some meetings. I was trying to address the fact that there are discussions going on between Education and our own ministry to try to upgrade, encourage and enlarge what is going on in the schools.

Mr. Davis: I am well aware that discussions are going on, but I am not aware of who will do the funding. Maybe you can help me. If, for example, this project got under way and the Ministry of Education decided to fund it--or let us look at the other one, because it is a little clearer where the travelling groups are going in--and the Ministry of Education came and said, "We are going to fund that program; we are going to author it and we are going to fund it," would your budget be cut substantially because it is now being funded through the Ministry of Education?

Mr. Pitman: No.

Mr. Davis: What happens then is the educational budget is fractured because it has taken on another addition. I do not know how it juggles. You would know better than I do, Mr. Pitman, because you have been around a lot longer than I have.

Mr. Pitman: Do not rub it in.

Mr. Davis: What happens, though, as I understand it, is that if you develop a program--listen, I like your idea of teacher training. If the teacher training comes out of your budget or out of the Ministry of Education's budget, then that means something else in education will suffer, because that is how the education budget works.

Mr. Pitman: We are talking really about a minuscule amount of money in a very large education budget. I cannot be helpful at all because the discussions are at a stage now that I cannot even give you any idea.

Mrs. Marland: I would like to get back to the subject of Bill 38. Do not leave, Mr. Pitman. Bill 38 is the bill to amend the Ontario Lottery Corp., with which I know you are all very familiar. I have a copy of an August 22 Globe and Mail article written by Robert Sheppard, with the headline "Arts Council Irked By Plan for Lotteries." I know you are familiar with this newspaper article. Having heard Mr. Sirman this morning being, I thought, very gracious in view of the subject we are discussing--and I certainly respect the need for your subtlety and graciousness, Mr. Sirman.

Mr. Ashe: It is part of the job.

Mrs. Marland: Exactly. In pure, blatant facts, again because I have a very tremendously active arts community in Mississauga South--in fact, the city of Mississauga, as you are aware, is very actively involved in all areas of the arts--and because there are so many people involved and aware, the concern that is referred to in this newspaper article about Bill 38 has been well addressed to me as a representative of Mississauga.

Along with another speaker this morning, Mr. Grande, I also have a copy of the memorandum from Mr. Pitman to all client organizations, and it is on the letterhead of the Ontario Arts Council. Therefore, I think this is the appropriate forum in which to ask you the questions I have.

This morning some statement was made that possibly the amendment to the parameters of where the lottery money would now be used by the government of Ontario would not necessarily affect the arts community. But it does not take very much consideration to face the reality that, getting into the cabinet sweepstakes, poor Dr. Munro would not do very well at the cabinet table pleading for the Mississauga Symphonic Association, the new Meadowvale theatre group or any other group within the province versus Mr. Elston pleading for the new cancer research hospital, a new home for the aged, a special geriatric wing to cope with Alzheimer's disease and so on. Being completely realistic, we all know what that means.

First of all, this newspaper article says you are the outgoing director, Mr. Pitman. Is that so? I am sorry to hear that. I was not aware of that.

Mr. Pitman: Yes. I will be leaving the council in the next few months. I am moving on to the Ontario Institute for Studies in Education, as that article suggests.

Mrs. Marland: Is that what it says?

Mr. Pitman: Very sadly, I might say. I have had glorious years, but I feel I should not be greedy.

Mrs. Marland: In this article there is a statement by the Treasurer (Mr. Nixon): "Lottery revenues are growing at a fast rate, he said, and he wants to use the money for such purposes as cancer treatment centres and services to elderly." This is a confirmation of what I just said. How does the Ontario Arts Council plan to deal with this subject, which I am sure must be of tremendously grave concern to you?

Mr. Pitman: I want to clarify one thing, because it may not have been quite clear this morning, although Mr. Grande did make it as clear as he could. Our funding does not come from the lottery funds. All our funds are entirely from taxation.

Mrs. Marland: I understand that, but the groups you are responsible for--

Mr. Pitman: That is right; that is exactly the point we are concerned about. The position we have taken is not that we have a responsibility to engage in any discussion or debate with Mr. Nixon about this. Our responsibility is to provide information. The information you find in that brief--one, incidentally, that was commissioned by the council, and the decision to inform our clients was made by council--came as a result of a desire to see a discussion of this issue. The points you have just made are exactly the kinds of questions we think people should be asking.

It may very well be that this will not be detrimental to the cultural community; we do not know. It is quite possible that within the parameters of this change there might be ways by which it could be assured that a certain percentage of the resources that come from lotteries could be shifted into the cultural sphere.

14:50

As it stands at the moment, that is not clear. We felt that although all that information and all those figures are public knowledge--they are all from public documents--they had not been made available or had not been provided in

the public domain. There had been no opportunity for discussion and we felt it was our responsibility as a council--I think the chairman and council felt it very keenly--to inform our clients of the issues.

The clients may well decide they wish to address their attention to this and they may well want to write to the Premier (Mr. Peterson), to Mr. Nixon, to yourself, to the minister or to whomever, but that is essentially what we will be doing. We have no plans to carry on any kind of campaign. We do not reel we have a responsibility to organize anything. We have provided the information we had in our hands and now we leave it up to the public and to the Legislature to decide on the final disposition.

Mrs. Marland: So the answer to my question as to what the arts council will do further on the subject of Bill 38 is that you are not going to do anything. Okay. I congratulate the authors of this report. It is very fair and objective and serves the purpose of informing arts groups across the province. In fairness to them--it is funny, but it is a bit like any issue in an area or specialty. It is a bit like the doctors dealing with Bill 94. Everybody criticized now the doctors presented their case. As I said to everybody, the doctors chose medicine as a profession because they were professionally interested in that area. If they had chosen business or lobbying or campaigning, they might well have become politicians or professional lobbyists. They became professional doctors because that was their area of expertise.

It is the same, and it will be the same, for arts groups in dealing with Bill 38 because the arts groups are made up of individually talented, gifted people. It must be horrendous for them even to begin to sit down in their small and large arts communities and think, "How are we going to get this message across that we are concerned about our funding?"

I commend you for the professionalism of this report because it is a good help for them. I see an even further irony to this whole subject, Mr. Pitman. If there is one message I will try to convey to the government of Ontario when we deal with Bill 38, it will be the argument that whilst we know there is not a money tree at Queen's Park regardless of which government is in office--all of us sitting in this room know whose money it is that is at Queen's Park and that is fairly basic--the reality that we all also know is that, in my humble opinion, politics should not enter into the kinds of decisions we are talking about here.

Politics should not be behind the decision as to whether a cancer research facility is needed. It is equally true that politics should not enter into the discussion about whether we need funding for arts groups in this province. The truth is that if we do not have adequate funding for arts groups--when I say arts groups I am speaking globally--and if we do not have funding for programs, opportunities, services and facilities for people to escape and recreate through performing and visual arts, we can be assured that our health care costs will increase.

There is no question but that the escape of people in all kinds and walks of life and their opportunity to recreate affects their mental health. People who can hardly afford to buy a winter coat will save up all year for a ticket for the opera or whatever. For me, as someone who appreciates our cultural heritage and the value of it, it is just fabulous when people do that.

From a recreational point of view we have to have those choices for people to be able to make. If programs are cut back because we are doing these

other things, and there is no question that those other needs are there if we are talking about terminal disease, we are talking about survival of human beings, and there is no question that the arts community also provides survival for human beings.

Through you, I would like to assure the arts community of Ontario that I plan to work very hard as a member of this Legislature to make sure that the amendment, as in Bill 38, does not go through because I can see there is no way, as I said a few minutes ago, in the cabinet sweepstakes that the arts community can win. It is just totally impossible.

I want to get back to the subject that was addressed this morning by Mr. Leluk. I am sorry that Mr. Ward has left because he asked, and I wish he was still here so he could confirm for me what he said, "What is art is fairly subjective anyway." That is totally true. I think the discussion about what the Ontario Arts Council funds under the definition of art is totally subjective, but what we were discussing or what Mr. Leluk was discussing this morning about a particular subject in a particular film was not a discussion of whether or not it was art. Nor is it a discussion of censorship. In my opinion, it is a matter of it being a discussion of whether or not public tax money should be allocated to make a film on a subject, which may tomorrow, next week or next month, not be under a federal statute, namely the criminal law of this country.

If we are going to use taxpayers' money to make a film that advocates abortion, then I think it was actually you, Mrs. Koerner, who said, "Of course it is something that is under the Criminal Code, then it will be dealt with." My point is, and Mr. Leluk can speak for himself, but I think the point he was also making is that it is rather putting the cart in front of the horse. If we are going to say to a film maker: "Here is the grant you applied for. We know you are talented. We know you have a record of ability in the production of films in that media form, and we are not concerned about the subject matter so we are not even going to ask you." I think when we discussed this earlier this year another answer we got was, "We fund authors, but we do not ask them what they are going to write about."

I think that is fine if it is a subject that does not have a Criminal Code or a federal statute attached to it, and to produce a film today that advocates abortion can be equated to producing a film that advocates bank robbery because bank robberies are against the law. Robberies with violence are against the law. Abortion is against the law. I still fail to understand why you feel it is okay to fund a film maker with a subject matter in that area of material.

Mrs. Koerner: My understanding is that the film did not advocate abortion. It is a study of women trying to find ways and means. It is not advocating anything. That is my understanding. It is not even finished. Nobody has seen it, so we do not really know exactly what it is.

Mr. Asne: Let us not kid ourselves. You can tell by the title.

Mrs. Koerner: No, I do not think so. Titles are very misleading; the headlines of newspaper articles can be misleading too.

15:00

Mr. Asne: I will go along with that.

Mrs. Koerner: All kinds of things are misleading in this world. Anyway, I will let one of my colleagues here continue that. Judy Gouin, do you want to go ahead?

Ms. Gouin: Our attitude is that it is a matter of free speech for all citizens to be able to take issue with the law. If that be the case, we would not, for example--any of us, I should hope--take the position that it was not appropriate to discuss capital punishment, that it was not appropriate to discuss--

Mr. Ashe: That is not the issue. It is doing it with taxpayers' funds. We can all extend our own opinion on anything I hope, and that is the difference.

Ms. Gouin: Excuse me. May I come to that, please? It is very much a matter of free speech that we be able to discuss any matter of law or any government policy whether or not we agree with it. It has also been deemed to be a matter of public interest in other situations--for example, native land claims--for governments to fund an opposition in court for something that should be decided by the courts.

In a case such as this documentary tape, it is our position that should the tape contravene the law, it is appropriate for the law to deal with that. Our agreement with artists when they accept our funds, or if they are going to accept our funds, is that they accept all legal and financial responsibility attached to that project.

I should remind you again that in this case we are talking about a documentary about the pro-choice movement in Canada. There have been documentaries made about capital punishment, about prison reform, about a variety of things where government policy or the law may be criticized and where an organization such as the National Film Board and so on--

Mrs. Marland: What is the federal statute on capital punishment at the moment?

Ms. Gouin: The federal statute on capital punishment at the present time?

Mrs. Marland: Yes, what is it?

Mr. Del Zotto: We have no capital punishment at all.

Mrs. Marland: Right, yes. What is the federal statute on the subject of abortion?

Mr. Del Zotto: Let me answer. Let me try to bring this into perspective.

Mrs. Marland: No, I would like you just to answer the question.

Mr. Del Zotto: I do not think she is capable of answering what the federal statutes are, and neither can I.

Mrs. Marland: On abortion?

Mr. Del Zotto: You have a federal statute that has been thrown out of three courts when it deals with abortions, as you have seen.

Mrs. Marland: Does throwing something out of court change the federal statute, Mr. Del Zotto?

Mr. Del Zotto: Let me answer with the Ontario Arts Council's position. That is all we can do, and if you do not agree with it then you do not agree with it.

We cannot prejudge what a film is going to be. You are asking us to interpret a film that is not produced in the light of a statute that exists when we do not know what the ultimate film is. If it contravenes the law--

Mr. Leluk: It is like giving them a blank cheque and telling the recipient or the applicant to fill it in.

Mr. Del Zotto: Mr. Leluk--

Mr. Leluk: That is what it amounts to.

Mr. Del Zotto: No, I am sorry. What you are saying is you are--

Mr. Leluk: You make the grant to a film producer without knowing what the film is going to be about.

Mr. Del Zotto: Based on the fact that he is an experienced film maker, that he has a subject worthy of discussion; we do not necessarily agree with what he does in it. We do not even know what conclusion he has fully drawn. It may open the argument and make everything go the other way; we do not know.

Mr. Leluk: On that very point, Mr. Del Zotto, I asked a question earlier this morning. How do we as politicians answer our constituents who are the taxpayers providing those dollars that your council gives out to these people? How do we explain to them the use of taxpayers' money for a film or videotape of the nature we are talking about here?

Mr. Del Zotto: But you do not even know what the film is yet, and you are censoring the film.

Mrs. Marland: It I could continue--

Mr. Ashe: That is not the issue. The issue is--

Mrs. Marland: George, just let me--

Mr. Ashe: --regardless of where you sit on that issue is that it is taxpayers' dollars, not the right to do it. Nobody disputes that. Surely we still have a free country. You can express your opinions in whatever way you want, but the whole issue is who is paying for it.

The Vice-Chairman: Can we go back to answering Mrs. Marland's questions?

Mrs. Marland: The issue is not a matter of whether or not a film is made on the subject; that is not the issue at all. What is really interesting is what you just said, that if when the tape is made it contradicts the law, it will be dealt with. Never mind Mr. Leluk asking how he explains to his taxpayers. I want to ask you as members of the Ontario Arts Council, how you are accountable, which you are. You are not accountable in the same way we

are; you are appointed and we are elected. Some time on a public platform you may be asked, "As members of the Ontario Arts Council, you knowingly funded a film on pro choice." There is no question what the film is about. You just said it is a group in Ontario. Okay? You knowingly funded a film on pro choice. Your answer when you were asked about it was, "Well, if it ends up being against the federal statute, then it will not be shown. It will be dealt with."

What I want to ask you then, is now will you feel when the other young film maker or old film maker--it does not matter, the other grant applicant--says to you: "Isn't that beautiful? You have spent taxpayers' money making a film that is now going to be thrown out because the subject is against the law, and you have turned down somebody else who could have been using the same money to make another film."

Mr. Del Zotto: You are back to saying it is against the law. Nobody knows that yet. What they are doing could be a documentary that simply points out the position having been taken by one group in society pointing out what they feel on a particular issue. That documentary is not proposing--I do not know, because I have not seen it--that we should break the law. We do not know that yet.

Mrs. Marland: I do not think we will bother pursuing it any further because your mind is so set on this subject. I must say that it is the only subject regarding the Ontario Arts Council that irks me, because it is like sitting here, Mr. Del Zotto, and saying: "Well, I do not know what Bambi is about. I do not know what Snow White and the Seven Dwarfs is about. I know they are cartoons, but I do not know what they are about. Until I see them, until I finish them, I do not know what they are about." You know quite well that Bambi is not about an elephant, and you know quite well that pro choice is about one aspect of pregnancy.

I think we might as well agree to disagree, because if I had any power at all I would not permit public money to be used on a film whose subject matter--not that the subject matter is controversial, because you do not even know whether I am pro choice. I may be pro choice, and I may be an anti-abortionist. In fact, probably a lot of my constituents would not be able to tell you my position, but I do have a position on the expenditure of public funds on that particular subject.

As a matter of fact, if you say you do not know what the film is going to be about, why don't we have a little wager? Why don't I bet you \$1,000 that when that film comes out it will be pro choice, and if it is not pro choice, then \$1,000 goes to the Ontario Arts Council.

Mr. Del Zotto: You also do not know the way I think.

Mrs. Marland: It has nothing to do with how you and I think.

Mr. Del Zotto: Let me try to put our position in perspective--I think it is very important. I think it is an issue that we have debated for hours in our council, and it is not a simple--

Mrs. Marland: So it is a problem for you.

Mr. Del Zotto: Let me take an issue that I do not think is quite as emotional as abortion.

Mrs. Marland: Take one that has a federal statute attached to it. Why don't you take armed bank robberies?

Mr. Del Zotto: Let's take capital punishment. Suppose somebody wanted to do a documentary and he is a well known producer, a person who is respected in the community and who wanted to do a documentary pointing out the side of people who are pro hanging. Our attitude would be, if that is a professional person who is going to do an artistically superb job in putting that viewpoint forward, we would not turn him down on funding, as we would not turn down the other side.

Mrs. Marland: That is no good as an analogy.

Mr. Del Zotto: Why not? It is identical. It is a federal statute. It is against the law today to hang. The only thing is that the emotional part is not as great. I stand--

Mrs. Marland: It is if you were hung.

Mr. Del Zotto: By the way, I stand in both instances on the other side. So for me the argument is very difficult. When I look at anything that is called censorship, in my mind we would be censoring, I think it is wrong for our arts council to do that.

Mr. McKessock: I am on the side of these people who are talking here, because we have all got letters about this, and I think we are getting into advertising a certain position. I think we are getting away from the arts. We should look at the content of what they are going to provide for you.

15:10

I suggested in one of the committees that when a company comes to the Ministry of Industry, Trade and Technology for a grant, it has to lay out what it will do with the money, what type of building it will put up, what type of industry it will run and so forth. The same criteria should be followed here and in a similar way. The artist who comes to you should lay out not only that he is a good artist, but also the substance of the film he is going to make.

Since these are taxpayers' dollars, the taxpayer should have some right to what is being put forward. They are certainly telling us that. They are saying, "Here you are spending government dollars as a kind of advertisement, and not as art."

Ms. Gouin: If I may respond, I tried to explain this morning at some length that our evaluation process and criteria are artistic. We are looking for talented, professional artists whose products are worthy in the terms of our mandate, which is encouragement of the arts. In situations where a film grant, video grant or any other grant is handled through my office, the artist must describe his or her proposal. In that respect, with this particular one, we know that a documentary on the pro-choice movement in Canada, its historical development, its legal context and so on is the project this artist wishes to undertake. Because of the material submitted with the application, we also know that she has fairly researched her subject. We know from the support material submitted that she is capable of examining documentary subjects such as this. That is our concern and those are our criteria.

Mrs. Marland: I do not think we need to spend the rest of the afternoon on the subject.

Ms. Gouin: May I finish, please?

Mrs. Marland: I brought it up. I think you are repeating what you said this morning in terms of their latitude of subject and I am willing to agree that we cannot agree on this point. If you were going to summarize by saying that she is doing a film on the pro-choice movement in Canada and there is a possibility that at the end, after she has done all her filming and completed all her research, she is going to come out recommending they are acting against the law, that will be interesting. Then we will all be happy.

Ms. Gouin: May I make one more point, please?

The Vice-Chairman: All right, but I think we should then drop it. Go ahead.

Ms. Gouin: We also received a great deal of protest about a film that was made with our support on the subject of vegetarianism. Concern was expressed from coast to coast that the Ontario Arts Council had put public money into a film that opposed the eating of meat, that this was detrimental to the cattle industry, that it was propaganda and so on. We received a great deal of protest on the subject and this is quite comparable.

Mrs. Marland: I cannot see the Criminal Code getting involved with the cattle industry. We are getting into analogies that do not apply.

I would like to ask a question. This morning you were asked what percentage of the budget supported artists from outside the province. Was the answer one per cent?

Mr. Del Zotto: Less than one per cent.

Mrs. Marland: Do you know what it is in dollars?

Mr. Del Zotto: No, but we could give you a rough idea. Bob, do you have an answer to the question of what percentage of our budget would support artists outside the province? We said less than one per cent this morning, but more often than not it would still be an artist who did it through some vehicle in this province.

Mrs. Koerner: The question is, do you have the dollar amount?

Mr. Sirman: No, we do not have the dollar amount.

Mrs. Marland: Is it less than \$50,000?

Mr. Sirman: There is no artist outside the province getting funds that are not through an Ontario-based organization. There is no percentage and no dollars. Less than one per cent of money would be spent on Canadian artists outside Ontario and they would definitely be recommended or commissioned by an Ontario-based organization.

Mrs. Marland: They might even be studying or something.

Mr. Sirman: They might be commissioning a play for a theatre company or commissioning a piece of music for the Toronto Symphony or the Hamilton

Philharmonic or be recommended by a publisher for a small amount of money for writing poetry that might subsequently be published by that or some other publisher.

Mrs. Marland: That is good. That was the answer. This morning it was left, so I thought we were funding artists outside the province. Even if it were less than one per cent, I thought it was wrong. Your answer this afternoon has confirmed we are not and I am not concerned about it. As well, this morning there was a reference to the Macaulay commission. Another question that comes out of the Macaulay commission report is a recommendation that the council be paid a per diem. Has that been discussed by the government with the council?

Mrs. Koerner: No, it has not.

Mrs. Marland: It has not been discussed with the council at all. How many meetings does the council hold?

Mrs. Koerner: The full council?

Mrs. Marland: Yes.

Mrs. Koerner: It holds four or five meetings a year and they are usually two and a half to three days long. The executive committee meets one day each month.

Mrs. Marland: As chairman, you probably spend 20 hours a week on this.

Mrs. Koerner: It is variable. Some weeks I am there every single day; other weeks I may come once. I try to come in every Wednesday to sign letters, have meetings and do whatever needs to be done.

Mrs. Marland: You do not receive any per diem.

Mrs. Koerner: No. My expenses are paid, such as parking, taking somebody to lunch and that sort of thing.

Mrs. Marland: That is amazing to me when I look at some of the agencies, boards and commissions that do receive per diems such as the fox counters' committee or all those funny--

Mr. Ashe: Municipally there is the fence viewers.

Mrs. Marland: The fence viewers; there is something to do with foxes in the province that I know receives per diems.

Mr. Del Zotto, I want to ask a question about the budget and I think that is your area of responsibility. In the balance sheet for March 1986, I notice that under the section on liabilities and equity there is more than a 100 per cent increase from 1985 to 1986; 1985 being \$497,939 and 1986 being \$1,189,369. It is a difference of \$691,430.

Mr. Del Zotto: Of that amount, \$550,000 comes from the province's grant for our computers.

Mrs. Marland: I wondered whether that was from the grant.

Mr. Del Zotto: Yes, and it will be expended this year.

Mrs. Marland: The other increase is actually--

Mr. Del Zotto: There is \$100,000.

Mrs. Marland: There is \$100,000 left. In 1984 that same column was \$82,907 and in 1985 it went to \$497,000.

Mr. Del Zotto: That was before my time. I must admit I am not fully up to date on this. I am in my first current year. Catch me next time.

Mrs. Marland: It is more than a \$400,000 increase in 1985 over 1984.

Mr. Sirman: If I can speak to that, in 1983-84 and in 1984-85, the Ontario Arts Council received two very sizable and unexpected increases in its budget. In the first year we received the \$3.1 million for the major institutions. In the second year, 1984-85, we actually received three budget allocations: We received an announcement of a three per cent increase in April; we received an additional \$1 million at the beginning of May; and we received an additional \$2 million in July.

15:20

Mrs. Marland: This is now 1984.

Mr. Sirman: It is 1985. This would be the summer of 1984.

Mrs. Marland: Okay.

Mr. Sirman: In an attempt not to distort its funding base, the council did not in that second year, 1984-85, expend all the \$3 million in one fell swoop. What it did was decide that it would stage the payment of that \$3 million over two years. In the first year we paid out only \$2.5 million of it, and in the second year, 1985-86, we then spent--

Mrs. Marland: You have another \$600,000.

Mr. Sirman: It produced for us at the end of the year a slightly larger cash reserve than would be normal. Compared to the statement that you see now with the cash reserve of \$1,189,000 at the end of the 1985-86 year, we are expecting a deficit at the end of the 1986-87 year when that policy of staged cash flow reaches its peak.

Mrs. Marland: I understand now. As you were speaking, I remembered the \$3 million in 1982. I did not remember what year it was but I remember there was a \$3 million boost.

Interjection.

Mrs. Marland: If that comment is on Hansard, we should correct it because the \$3.1 million was in 1982-83, was it not?

Mr. Sirman: No. The \$3.1 million was in 1983-84.

Mrs. Marland: Right. It is \$3 million, Mr. Grande. That was the only question I had on the budget.

Another question I have is about the federal tariff on imported books and periodicals. How does the Ontario Arts Council feel about that vis-à-vis the authors and writers it is funding in Ontario?

Mrs. Koerner: We do not have any direct contact. I think the publishers and booksellers are feeling it. This is Val Frith. She is the literature officer. She can answer.

Ms. Frith: It is not an area that is in any sense covered by the mandate of the council, but the council supports the position of the publishing industry. The entire book community opposes the tariff. It penalizes the Canadian consumer, so it is not a punitive measure against the Americans in any sense. It penalizes the Canadian publisher. In many cases our publishers, especially our larger publishers, distribute foreign books, American books among them, and the income from the sales of those imported titles helps to subsidize their Canadian publishing program.

However, I think the entire book community, including librarians, booksellers, writers and publishers opposes this tariff for quite a different reason, which is that it has always endorsed as a matter of principle the free flow of information. Our minister, Dr. Munro, made this very clear in her recent statement. This is the principal reason it is opposed, and the arts council has supported this position in spirit as well.

Mrs. Marland: I am going to ask you all to come in. Until the other side was mentioned to me, the side that you have just expressed, my impression was are always talking about fighting for Canadian content--that the tariff would protect Ontario industry and Ontario authors and writers. I was dealing only with Ontario.

Ms. Frith: Actually, in books and magazines there is no what you might call product substitution. People do not go in looking for Shakespeare and find Margaret Atwood instead.

Mrs. Marland: No, that is true.

Ms. Frith: As you know, the Canadian publishing industry has been very vigorous in lobbying for a market share for itself in Canada and for an indigenous industry. The Canadian reader has always been probably the most privileged reader in the world with full access to all the great literature in the English language, not only our own literature but also that of Britain and the United States. The Canadian publishing industry, as a matter of record, has always supported this and has never wanted the Canadian reader to have anything less than full enjoyment of all literature in the English language.

Mrs. Marland: So they have never wanted the protection of what was totally Canadian.

Ms. Frith: No.

Mrs. Marland: That is interesting. I appreciate your comments.

In closing my questions to the arts council, I want to ask a question of the chairman. I am sure the arts council, as any other responsible group, has a wish list. We do not have three days left to discuss it, but if you had a choice of two items, areas, concessions or involvements you could choose for

particular actions or responsibilities, or anything, what two areas would you like for the OAC either in terms of jurisdiction--I know there is always money--

Mrs. Koerner: There is always money.

Mrs. Marland: --but apart from money, because there are other areas, what two areas can you think of, or even one?

Mrs. Koerner: One thing that would be interesting would be to get more co-operation from other ministries in like areas, such as the Ministry of Education when we talk about artists in schools. It would be very nice if we could get on the same wavelength and do more in that area.

Mrs. Marland: To have other ministries relate not only on a mechanical basis but also on a very real basis.

Mrs. Koerner: Something meaningful, where we could both participate in a project, or go up north for instance. We had a program going with the then Ministry of Northern Affairs three or so years ago now, whereby at some time--I cannot remember quite why--we were given \$100,000 and told, "This is our money and we want you to disperse it for us in our name up north." It had to do with either companies touring up north or artists up north. I cannot remember quite what the parameters were, but we did this for a couple of years.

We used up the money and I gather they then decided they could do it themselves in quite a different way. That was the end of it, but we always felt that sort of thing would be very nice to have, not only using their money--we could put a bit of money in it too--but also to have that ability to do more with the arts in other parts of the province.

Mrs. Marland: Could you see the arts council being involved with the Ministry of Skills Development in terms other than blue-collar skills, for example? Have you ever thought about that?

Mrs. Koerner: I had not thought of it but our community arts officer did have some small contact with union people, which I know was helpful. They were having some kind of convention in Hamilton and they were doing some artistic event. We gave them a bit of money for that. They seemed quite interested in that, I remember, and so were we.

Mrs. Marland: I feel very strongly as a proponent of the arts industry that the Ministry of Skills Development should be looking at talking to the arts council, just as I am thrilled to hear that the Ministry of Education and the Ministry of Colleges and Universities should have an automatic liaison with the arts council. I am speaking as Culture critic, and if I were minister, those would be areas where I would like to see that. They are logical routes, are they not?

Mrs. Koerner: Yes, they certainly are. I remember reading somewhere that there was some kind of music festival in Scotland. One of the compositions they played in the festival was dedicated to the gentleman who was the head of the local post office union, because it was the post office union that had contributed the money for it. I remember thinking, "Now that is an interesting thing."

Mrs. Marland: Yes.

Mrs. Koerner: If one could get a bit of that spirit and interest over here--there was a whole mass of people there, who maybe do participate in the arts to a certain extent but should be encouraged more.

Mrs. Marland: The mistake that we, the general public, make in dealing with the subject of the arts community is that we think either that you have to have a PhD, or at least a post-graduate degree, to be interested in the arts, or that you wear flowered shirts, long skirts and the kind of picture we have of the kind of people who can be involved in the arts community.

Perhaps the most important group that needs to be involved is people who are in blue-collar jobs, who do not have that opportunity or escape, other than the idiot box, which is really no escape at all and is becoming decreasingly a form of entertainment in their living room, when they could be growing within themselves if they were introduced to any form of participation in the arts.

Mrs. Koerner: You yourself mentioned earlier something about art making life more meaningful.

Mrs. Marland: Oh, yes.

Mrs. Koerner: That is pretty basic.

Mrs. Marland: There is no question.

Mrs. Koerner: Any way or means we could grab to do that we would certainly grab.

Mrs. Marland: I will say to you quite formally that if you think of anything I can help with as Culture critic--not in the form of confrontation with the government but in a constructive way with Dr. Munro, because I know she and I can work positively towards the same goals for the arts community in this province--I would welcome any ideas you have to pursue those areas that now are simply not being addressed. Maybe those ministries and the route that was just discussed would be a very positive direction for us all to work towards.

Mrs. Koerner: Thank you very much. I appreciate that.

Mrs. Marland: There is no question that we all want the same thing.

Mrs. Koerner: That is true.

Mrs. Marland: Again, thank you for what you are doing for the province in your voluntary roles.

Mrs. Koerner: Absolutely.

Mr. Leluk: I was looking through the auditor's report for 1985, and there is a section on page 152, section 4.9, entitled, "Improvements Needed re Policies and Procedures, Province of Ontario Council for the Arts." This has to do with the hiring of consultants.

I understand that three contracts were examined for consultant-provided

services to your council in the areas of personnel, administration and finance. Basically, the review indicated that the council had not established guidelines and procedures for the use, selection and monitoring of the performance assessments of consultants. The auditor recommended that the council adopt appropriate procedures for the acquisition of consulting services using the Ontario Manual of Administration as a guide. Has this been done?

Mrs. Koerner: Yes, it has. Mr. Sirman will speak to that.

Mr. Sirman: As the auditor pointed out, the Ontario Arts Council has not traditionally had a set of policies for the hiring of consultants. Quite frankly, we had never hired consultants, and when our most recent manual of administration was finished in 1981, it did not have a chapter or a section on this subject.

As the auditor pointed out, however, in the audit to which you refer, which is the 1984-85 audit, I believe, we were now entering into our first substantial contracts--that is, they began to reach the material tolerance level--and he recommended to us that we add a special chapter to our manual of administration to cover this subject.

Management Board has since that time come out with a very interesting and straightforward set of new directions for the government as a whole. We are now in the process of rewriting our entire manual of administration, and in that new manual there is going to be a new chapter on consultants. It will be based on the experience of the ministry, the guidelines from Management Board and our own experience because, as you can imagine, we have some unique experiences dealing with creative services in the consulting field. As you have probably noticed, there are not in our 1985-86 audit any subsequent comments from the auditor.

Mr. Leluk: Thank you very much. I have one other question. I do not know whether this was touched on this morning, but we talked about monitoring funds. I am concerned about overlapping grants. We have the Canada Council, the Ontario Arts Council and the Minister of State, whose office in Ottawa provides moneys for the arts. We have municipal authorities and we have private fund-raising programs and the box office where performances are concerned.

What type of liaison or discussions do you have with the Canada Council, for example? How do you ensure there is no overlap for some agency or organization that comes to you for funding, just so it is not getting more money than it actually needs for these projects, while other artists who are struggling would like to get some money and have not been able to do so? Can you tell us, Mr. Pitman?

Mr. Pitman: Yes, absolutely. This a very real problem, and we do have a way of dealing with it. Perhaps I could say first, though, that we in Canada have not yet achieved the situation--and one has to look at all the statistics--where we provide a lot of money that is embarrassing to any organization or individual.

The funding of artists in Canada lies somewhere between the European or British tradition and the American tradition, which is a balance between the private sector and the public sector. Virtually all our individual artists have to make a great personal sacrifice to be artists, and certainly all our

organizations have to go out and raise a considerable amount of money from the private sector to survive.

I will give you an example. The Royal Shakespearean Company probably gets 60 to 70 per cent of its revenue from Mrs. Thatcher and her government. We are providing about nine per cent from the Ontario Arts Council. The Canada Council might give another nine per cent, but we are, in the 20 to 25 per cent area, at the most generous area of support. One has to take it in that context first.

Second, we regard it as a strength for an arts organization to have several sources. It comes back to the point you have been making, that it is in the best interest of an arts organization to know it has to get money from the Ontario Arts Council, the Canada Council, the private sector and the box office--all of these things. In a sense, they do not become dependent on any one source. We think that is a very healthy situation.

We meet with the Canada Council in general meetings with our officers, but the most important is that our officers are in contact with Canada Council officers, with municipal councils through our community arts office and with ministry officials, who are working in those areas almost daily or weekly. There is a continuous consultation throughout the year to ensure there is no dissonance in the resources provided to any single artist or arts organization.

Mr. Leluk: Thank you. One last short question. Again, I am not sure whether this question was asked earlier, and if it was, stop me.

Is there any duplication of services between the ministry and your council? How can we avoid the duplication, which naturally costs money and man-hours?

Mr. Pitman: We have been very careful. Perhaps there is a history of this. The arts council was around nearly 25 years ago, long before there was any cultural ministry. The ministry came into being maybe 10 or 11 years ago. It has been a matter of sorting out the appropriate responsibilities of a ministry and an arts council.

In some provinces you do not have an arts council at all. In fact, half the provinces in Canada have no arts council. We have had to sort out just what we do. The measure of the success of arm's-length funding in this province has been the degree of co-operation and consultation between our chairman and the minister, myself and the deputy or the assistant deputy, the head of the arts branch and the people at the officer level in the ministry and in the council. There is a continuous interaction. Scarcely a week goes by when there are not meetings between us and them. Particularly over the past few years, we have achieved an extraordinary level of interaction in which I can honestly say there is no duplication.

15:40

I simply say to you that the Ontario Arts Council's budget has doubled since 1978, and we have the same number of personnel as we had in 1978, or maybe one or two more. The ministry has been held very closely. You can be very assured that money is not being spent or wasted on duplication of services in this part of the public sector.

Mr. Leluk: Thank you, Mr. Pitman.

The Vice-Chairman: I point out that we have three more speakers and we have 15 minutes. Can we manage to divide the time?

Mr. Grande: Do you want us to ask one or two questions? I will ask two questions and then I will be finished.

The Vice-Chairman: I am asking, can we get through at four o'clock?

Mr. Grande: Sure. The thing that disturbs me is that we are coming back to the same subject over and over again, and that is at all times the subject of censorship. I thought we had dealt with it this morning, but we are still at it this afternoon. I would like to get some facts from you. Probably you do not have these statistics with you; you may have them elsewhere, and probably you can provide them for the committee at another time.

When we talk about these controversial grants--namely, two that have been mentioned today: the vegetarian film and the pro-choice one--what percentage are we talking about in view of the whole gamut of grants? The amount of \$1,500, \$1,700 or something was mentioned before.

Mrs. Koerner: It is a very minimal percentage, but you might also--maybe this is being flippant--add to that all the artists' paintings that people hate. You go to a gallery and you see things you think are not right or are horribly abstract and nobody likes them. I suppose that is controversial too in its own way, but the proportion is very small compared to all the other very good things that happen because of the grants we give.

Mr. Grande: But unfortunately--

Mrs. Koerner: I do not know whether we have them. Do we have a monetary figure attached to that? Ms. Gouin can give you the figure on film.

Ms. Gouin: I can mention them with respect to those projects, but if we talk about these two as being controversial, I am not sure whether we can talk about a degree of controversy relative to other projects that could make them problematic. With respect to these projects, the Struggle for Choice documentary was granted \$10,000 in one given year. The budget for my office in that year was approximately \$1 million. The vegetarian film was granted, I believe, \$15,000 over two years, so it was \$5,000 in one year and \$10,000 in another. Again, in each of those years, the budget for my office alone would have been approximately \$1 million. I am not sure whether that gives you any spreads.

Mr. Grande: You are talking about \$15,000, at maximum \$25,000 over two years, in a \$1-million budget. Is that what you are talking about in terms of percentage of money?

Ms. Gouin: If we look at these two projects, we are actually talking about three fiscal years, so we are talking about \$25,000 out of \$3 million, approximately.

Mr. Grande: In terms of that kind of thing occurring, it is minuscule, to begin with.

Ms. Gouin: Yes.

Mr. Grande: However, I guess the larger issue still remains. I certainly hope that both Leluk and Mrs. Marland would--

Mrs. Marland: Mr. Leluk.

Mr. Grande: Mr. Leluk--Nick, as a matter of fact; that is his first name--would be able to put that to rest in some way, shape or form. I do not know what they are driving at. They had one kick at the can and they are having a second kick at the can. It seems to me they talk censorship, but they do not want to talk censorship. I do not understand, but I will leave it up to them to decide how to disentangle themselves from it.

The second question has to do with the report I mentioned earlier this morning about the designation of lottery proceeds. In your opinion, would the arts council be the proper channel for the lottery funds that were designated? It seems to me to be a channel that has at least an arm's-length relationship with the government. If that money is designated for arts and recreation--and one has to decide how much goes to recreation and how much goes to the arts--it would appear that the arts council would be the proper channel for the dispersal of those grants.

Mr. Del Zotto: I will answer that. I would like to say we want all the money, but we cannot be that greedy. First, we would like more money, but remember what we said earlier. We deal only in the arts in relation to the professional side. Much of the lottery money is put into areas that are totally unprofessional, and that worries me as much as our not getting more money.

In other words, if you take the lottery money away from the cultural centres and from the nonprofessional arts groups, then we will not develop professionals. That is like our farm team. The answer is that we would like the professional portion of it given to us and we will handle that, and the amateur portion should be done elsewhere.

Mr. Grande: Some time in the past--I believe it was 1977 or 1978--a member of the party in power right now proposed a private member's resolution to do exactly what the Treasurer (Mr. Nixon) wants to do now. As I recall, back then the arts community began to get together again because of the loss that would represent to it. One of the suggestions was the development of a fund. The lottery money would not go to the general revenue fund and then out through the ministries. Instead, it would go into the fund established for the purpose for which the money was designated. The money that was not spent would be gathering interest for the arts for which it was designated.

What do you think of that? Is it feasible, or are you saying that the arts council could not accomplish that instead of setting up some other type of corporation, council or whatever?

Mr. Del Zotto: In effect, you are talking about a heritage fund for the arts. That would be a great idea if they were to take funds and stick them into a fund designated for the arts so that, as I said earlier, we could project ahead instead of always finding out exactly what our budget is after the fact. How much is a political decision that only the government can make. I emphasize that we in the arts council do not want the money to be taken away from the cultural recreation and amateur arts side. That would be a tragic error.

Interjection: They are not going to let you.

Mr. Del Zotto: That is right. I am sure they are not.

Mr. D. W. Smith: I want to see whether I can clarify something. We keep coming back to the professionalism part of it. I have to say I am only an amateur in most things I have ever done, but I have had the privilege of going to the Victoria Playhouse quite a number of times. As I watch a play develop, I may totally dislike the plot--not totally--but if the professionalism of that player or actor comes out in trying to bring his character out, then that is what you are trying to tell us here. You do not give a damn about the plot, necessarily. You are trying to promote the professionalism of the player.

If we make a \$25,000 mistake in \$3 million, then, as elected officials, I would say we have done extremely well. I have to give you credit for that, whether or not I agree with the picture you are talking about. That is what I see. You could bring it out in a painter or a sculptor, or in any type of art you are talking about. You may not appreciate the picture, but if the professionalism of that person comes through, then that is what you are trying to protect and give money to, to bring that out in people. Is that what you are really after? That is what I see you as trying to do. I do not know whether that has clarified it or muddled the waters.

15:50

Mrs. Stewart: That is what I think we are after. Yes. Thank you.

Mr. McKessock: I have one criticism of the presentation today. That is the document you put before us here, which must be 100 pages, but the pages are not numbered.

Mr. Pitman: I will tell you the reason for that. We are preparing our annual report, and these are the raw data. We presented to the committee our last report, which is the last public report. We discovered very late that you wanted this year's report, but that report is not ready yet, so all we could do was simply run it through our computer and get it to you as quickly as possible. That is why the pagination is not there. These are the data from which we will be making our annual report for the coming year.

Mr. McKessock: They are very good data. I found that you gave \$12,000 to the Georgian Bay Folk Society in Owen Sound, but I will not be able to tell my colleague what page it is on.

Another part of it here says there is a grant to assist Canadian-owned, Ontario-based publishing houses with trade publishing programs. I would like to know what they are.

Ms. Frith: I am sorry. I did not hear the question.

Mr. McKessock: There is mention of a grant to assist Canadian-owned, Ontario-based publishing houses with trade publishing programs. I want to know what trade publishing programs are.

Ms. Frith: There are two types of books: trade and educational. Trade books are simply books that are sold in bookstores. They are for the public, as opposed to educational books which are for schools.

Mr. McKessock: Do these grants go to writers then?

Ms. Frith: We have grants to writers, but we also have grants to assist with the publication of those books.

Mr. McKessock: These seem to be to the publishing companies.

Ms. Frith: That is right.

Mr. McKessock: Is there any connection with the writer? Does the writer in co-operation with the printing company apply for this or does the printing company apply separately? How does that work?

Ms. Frith: It is the publishing company, which is not the same thing as the printing company. The publisher is a person who has a contractual arrangement with the writer, whereby the writer has assigned his copyright. That is what makes the person a publisher. That publisher in turn employs a printer to produce the book. I want to make sure I understand your question.

Mr. McKessock: A lot of these are called--for instance, there is Annick Press Ltd. and Black Moss Press. To me, that means a publishing company. It sounds like it.

Ms. Frith: That is right, but none of those are printers.

Mr. McKessock: They are not?

Ms. Frith: No. They pay printers to print the books.

Mr. McKessock: They are not printing companies.

Ms. Frith: Not in that sense. I can appreciate your confusion. These are for books by Canadian writers. This is to assist the person who takes the risk of publishing books by Canadian writers in culturally significant subject areas. We do not subsidize works on how to make macramé or such things as that.

Mr. McKessock: Thank you.

The Vice-Chairman: Thank you. It looks as if we managed to stay within our limited time.

Mr. Pitman: I wonder whether I could make a comment. This may be the last occasion in which I will have an opportunity to meet this committee or any other committee of the Legislature. First, I want to say how much we appreciate the degree of interest and the support we receive from members of the Legislature. We appreciate very much hearing from members, and indeed we would like to make sure you know as much as we can tell you about what we do.

I would also like to make what I hope is an objective comment on my departure after six and a half years. I do not think any public board is better served by people who give of their time and energy, at no cost to the taxpayer, than the Ontario Arts Council. You have seen it here today, because the speakers have been members of the board, not staff, except in cases where detail has been needed.

I think the Legislature of Ontario should be very proud that it has a group of citizens who are prepared to put in hours, days and weeks of time per year in the service of the arts. That is perhaps the greatest service that is paid to the arts, except on the part of those artists who virtually give their lives to this and, as a result, make this province a much better place in which to live.

I thank you. I hope you in turn will feel privileged to thank those members of our board who have put so many hours of time at the service of the arts.

The Vice-Chairman: Thank you very much, Mr. Pitman. We appreciate the contribution you have made. I am sure all members of the Legislature are very sorry to know you will not be making that contribution in this manner in the future. We thank you for your contribution through the years and today.

Mrs. Koerner, we thank you and all your officials. You stood up exceedingly well under pressure sometimes today. You brought us a great deal of information we wanted to have. Once we have reviewed the Hansard of the day and are meeting after the House comes back, if we have more questions, would you consider coming back and talking to us again at some time?

Mrs. Koerner: Yes, we will. We appreciated coming. It may be nerve-racking and all that, but it is interesting. The questions people put to us sometimes set our minds thinking along other paths. It has been very valuable for all of us to see how you are thinking and the thoughts you bring out in us too. We appreciate being here and we will be very happy to come if you would like us again. Just say so and we will come.

The Vice-Chairman: Thanks again to you and your officials. I suspect we will be asking you back at some later date when the House is in session.

Mr. Grande: I simply commend what Mr. Pitman said in one case. He will not be here as a member of the arts council, but he will be before these committees in the Education estimates, I am sure.

Mrs. Koerner: I do not think you have lost him for good.

The Vice-Chairman: I am sure we have not.

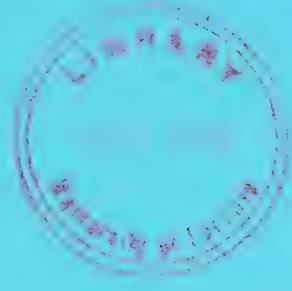
This committee stands adjourned until Tuesday at 10 o'clock.

The committee adjourned at 3:57 p.m.

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A-15



STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO LOTTERY CORP.

TUESDAY, SEPTEMBER 16, 1986

Morning Sitting

STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Bryden, M. H. (Beaches-Woodbine NDP) for Mr. Swart

Caplan, E. (Oriole L) for Mr. South

Grande, T. (Oakwood NDP) for Mr. Hayes

Shymko, Y. R. (High Park-Swansea PC) for Mr. Rowe

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ontario Lottery Corp.:

Morris, D. N., President

Petrik, K., Vice-President, Corporate Communications

ERRATUM

<u>No.</u>	<u>Page</u>	<u>Line</u>	<u>Should read:</u>
A-9	A-6	7	<u>Mr. Mitchell:</u> Southwestern and central Ontario are not prime tourism

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Tuesday, September 16, 1986

The committee met at 10:15 a.m. in room 230.

AGENCY REVIEW:
ONTARIO LOTTERY CORP.

Mr. Chairman: We have a quorum, though I would like to have a few more members. I would like to welcome Norman Morris, president of the Ontario Lottery Corp. I think Adam J. Hawkins is also here. Is that correct?

Mr. Morris: He is outside looking after the car. The motor league is coming to fix it for us.

Mr. Chairman: Kathy Petrik, vice-president of corporate communications is also here. Welcome.

Mr. Morris, thank you for coming. Do you have some opening remarks you would like to make?

Mr. Morris: Yes, we do.

We are pleased to have this opportunity to appear before the standing committee on government agencies. It is six years since we last presented to your predecessor committee, the standing committee on procedural affairs.

The corporation has grown considerably in this time. We are delighted to be able to report on the progress we have made. We know the committee has a prepared briefing document on the corporation. However, we would like to discuss with you the philosophy and business guidelines that shape the corporation's operation.

It might also be useful for the committee to know how the OLC's performance compares to some of its sister lottery jurisdictions in Canada. We believe this information will assist the committee in its considerations, in view of the uniqueness of the Ontario Lottery Corp. within the government environment. We would also like to comment on the two issues raised in the briefing report prepared for the committee, the corporate marketing strategies and the matter of distributor appointments.

As you know, the corporation was created in 1975 by an act of the Ontario Legislature to develop and operate government lotteries. The purpose was to keep the millions of dollars then leaving the province for other lottery jurisdictions at work here in Ontario.

Since then, the corporation has recorded more than \$5 billion in sales, with \$1.6 billion in lottery profits being turned over to the government. In 1985-86 we recorded total sales of slightly more than \$1 billion from the operation of six games. This is compared to \$97 million in ticket sales for one game 11 years ago.

The six games operated by the corporation are Wintario, Lottario and the Instant, which are operated in Ontario only, and Super Loto, the Provincial and Lotto 6/49, which are sold in conjunction with the other nine provinces. We firmly believe the reason for this business success has been the government's foresight in allowing the corporation to operate with the flexibility and creativity which drive all successful commercial operations.

While as a schedule 2 agency we are exempted from most of the requirements of the Manual of Administration, the corporation follows, where possible, the intent of the guidelines in the manual, while exercising entrepreneurial skills in operational flexibility. In saying this, we also recognize our responsibility to operate our lotteries in the most efficient and responsible manner on behalf of the people of Ontario. Our administrative decisions are made according to a simple philosophy of good business. At the same time, we have always endeavoured to market our products with the sensitivity they demand.

As we mentioned, one of the corporation's great strengths is that it is entrepreneurial in nature. As a result, we have attracted a dedicated group of professionals geared to innovation, achievement and excellence in a stimulating business environment. Our staff is our most important asset. We encourage them to innovate and to give of their best. Last year the 238 staff members of the Ontario Lottery Corp. generated \$320 million in profit for the province. That represents \$1.3 million of profit per employee.

We would challenge any corporation anywhere to match these figures. By comparison, Loto Quebec generated \$356,000 in profit for each of its 850 employees, and the Atlantic Lottery Corp. generated \$305,000 for each of its 150 employees.

10:20

We want to suggest to you that running a lottery is not a guaranteed success; it is a business enterprise and must be treated as such. Ontario sales are the highest of any Canadian lottery jurisdiction, despite the fact that we have fewer games than some of the other jurisdictions. We would also ask you to note that in Ontario we have developed a larger player base than in any other province and our players spend less per player than most of the other jurisdictions. We feel this is more desirable than having a few people spending a large amount of money.

The Ontario Lottery Corp. returns more than 50 per cent of its gross revenues to its players in prizes. At our sales levels, this represents \$44 million more in prize money than our counterpart in Quebec. We believe it is important that our players get the fairest possible return in the form of prizes. Operating expenses are about four per cent less than in Quebec; this represents a cost saving of \$40 million a year.

At this time, we would like to speak to the two issues noted in your briefing document. First, our corporate marketing strategies: We believe the marketing strategies of the corporation have been very responsible during our 11-year history. While we have increased sales and profits dramatically, we have done so while maintaining strong public support. The 1984 Decima Research study indicated that 77 per cent of Ontario adults support lotteries. We have added, but only with government approval, two games since we last appeared before the committee: Lotto 6/49 and the Instant game.

Lotto 6/49, which was launched in 1982, is an interprovincial game and it was absolutely necessary for Ontario to join in this game if it was to be successful on a national basis. Today it is our biggest game and contributed \$156.9 million to our profits last year. The Instant game, a new version of which is launched every three months or so, is also very popular with players. It was launched because research showed the public wanted this type of game. Last year it contributed \$58.1 million to our profits.

We are a business operation and as such we must provide the games our players want. In addition, lottery games have a distinct life cycle, so that as one game matures and possibly declines, we must have a new game to pick up the slack. In order to produce profits for the government of Ontario, we must constantly renew older games or create new ones.

Our marketing thrust has always tried to position our lotteries as entertainment. Indeed, our players often equate playing our games to going to the movies. Our advertising policy is not to encourage overspending, nor to create unrealistic expectations among our players. For example, we never show players in our advertising winning large sums of money. Lately, in the past year, we have been able to reduce our advertising expenditures, thereby reducing the profile of lotteries.

We have also changed our advertising media mix. For example, Lotto 6/49 now uses radio commercials, as opposed to any sustaining or ongoing television campaign, to communicate jackpot amounts. We do not think we promote the gambling ethic, but we are sensitive to the problem of gambling addiction.

I would like to mention distributor appointments. The corporation employs 47 distributors in the province who, as independent businessmen and women, supply lottery tickets to 13,000 retailers. Distributors receive commissions on tickets sold, handling fees for reimbursing winning tickets redeemed by the retailers and a service fee for delivering supplies to terminals in their territory.

Distributors buy all Wintario, Instant, Provincial and Super Loto tickets from a Royal Bank branch and return all unsold tickets to the same branch for credit. Until September 1985, distributor vacancies were filled from existing applications on file. No advertisements were inserted because the board of directors believed an adequate number of applications were received without advertising. However, all distributorship vacancies are now advertised in the local news media in accordance with new corporate policy and the minister's direction to ensure that all Ontarians are aware of the openings.

The subcommittee of the board of directors reviews the applications and interviews those applicants who match most closely the desired profile of business, interest and initiative. The recommendation for appointment is then made to the full board of directors, who actually make the appointment.

I hope we have given you an insight into the Ontario Lottery Corp. We are proud of the corporation we work for and we strive for excellence in serving the people of Ontario. We would be pleased to answer your questions because, frankly, you are dealing with our favourite subject.

Mr. Chairman: Thank you, Mr. Morris. Do you have anything to add, Mrs. Petrik?

Mrs. Petrik: No.

Ms. Bryden: Mr. Chairman, are we going to hear from all the people on this list this morning? Will we question each of them individually, or should we deal with all questions at this point and these people may be called on to give some replies?

Mr. Chairman: Ms. Bryden, we have only Mr. Morris and Mrs. Petrik. Mr. Hawkins will be along. Is he here?

Mr. Morris: Yes, he is here now.

Mr. Chairman: Did Mr. Hawkins have anything he wanted to add?

Mr. Hawkins: No, sir.

Mr. Chairman: I would expect, Ms. Bryden, you could ask a question to anyone you want, but those are the three who will be here.

Ms. Bryden: Is this our agenda for the entire day?

Mr. Chairman: I gather.

Ms. Bryden: I am sure there will be lots of questions.

Mr. Chairman: Yes, I am sure there will.

Ms. Bryden: What about tomorrow? Will we be questioning further tomorrow?

Mr. Chairman: We will be on to a different subject tomorrow. I was going to get into that a little later in the day. Where are we off to tomorrow afternoon?

Mr. Malcolmson: We do have a time scheduled for the Ontario Lottery Corp. tomorrow afternoon.

Mr. Chairman: Okay.

Ms. Bryden: I am sorry, I did not hear what you said.

Mr. Chairman: We are scheduled for tomorrow afternoon for the Ontario Lottery Corp., not tomorrow morning

Ms. Bryden: Oh, I see.

Mr. Chairman: I think there is a board meeting or something tomorrow morning. Is that correct?

Clerk of the Committee: Yes.

Mr. Chairman: So they will not be able to be here.

Ms. Bryden: It will be a continuation of questions tomorrow afternoon.

Mr. Chairman: Yes. We can go on as long as we want. I am sure if we still have more questions, they will be glad to come back, will they not?

Mr. Malcolmson: Yes.

Mr.-Chairman: Right.

Mr. Sargent: I am kind of prejudiced in this regard. My firm puts out a Canadian publication for automatic vending, and we take all of the American publications in this field. We are very fortunate in having a personality like Norm Morris because he is regarded in the American market as a kind of model in his operation for this great revenue production facility. From time to time I have been critical of the lottery. I only knew half-truths about it. When I contacted Mr. Morris, he opened up everything and gave me full access. However, I would like to ask you, Mr. Morris, whether your investment in terminals is a big number for a terminal.

Mr. Morris: Yes. By the time we buy the terminal, pay the sales taxes, install it and train the retailer to operate it, we look at a figure of about \$10,000 a terminal.

Mr. Sargent: Per location.

Mr. Morris: Per location.

Mr. Sargent: I am asking because I am concerned that people in Tobermory, Lion's Head and all over the peninsula have to come to Wiarton to use the terminal, and we do not like that.

Mr. Morris: Not any more, Mr. Sargent. We now have a terminal in Tobermory.

Mr. Sargent: Okay, good. Do you, in Tobermory?

Mr. Morris: Yes.

Mr. Sargent: The year round?

Mr. Morris: Yes.

Mr. Sargent: That is good. When a person wins \$2 million, \$5 million or \$10 million, is he paid in cash?

10:30

Mr. Morris: All our prizes are paid by cheque at the Ontario Lottery Corp. They are paid in cash on small amounts that are redeemed in a store. Anything that is claimed at the Ontario Lottery Corp. prize office in Toronto is paid by cheque.

Mr. Sargent: The reason I ask is that someone won \$30 million last week in Chicago in the United States. He receives it monthly during a period of 10 years. Is it 10 years? How long is it?

Mr. Morris: It varies from lottery to lottery in the United States. Twenty years is very common.

Mr. Sargent: Why would you not do that here?

Mr. Morris: It is because of the fundamental difference in the tax laws of the two countries. In Canada, lottery prizes paid in a lump sum are tax-free; lottery prizes paid via an annuity are taxable by the federal taxing

authorities. In the United States, all lottery payments are taxable. To ease the burden of tax for the US taxpayer, they spread out the payment over 20 years rather than making a lump sum payment. If you stop and reflect for a minute, it is much better to have it our way, tax-free and in the person's hands immediately.

Mind you, if we could get a tax ruling from the federal government--and we have tried but failed--that would ensure that our winners would get an advantageous tax position, we would like very much to offer prizes spread out over a number of years, but at the moment it would be the greatest disservice we could do to our prize winners.

Mr. Sargent: How much did you give away last year?

Mr. Morris: Last year we gave away \$449,000,558 in cash prizes.

Mr. Sargent: I would rather see you keep \$300 million and spread it out.

Mr. Morris: It would chew up a large chunk of tax for our people.

Mr. Sargent: In whose favour are you working? You are working for the winners, are you not?

Mr. Morris: Maybe I misunderstood your question.

Mr. Sargent: I would rather see you pay them only 10 per cent now and the balance over 20 years and keep the money in the Treasury.

Mr. Morris: If we do that, they are paying tax during the 20 years on the capital portion of their prize.

Mr. Sargent: Who is?

Mr. Morris: The prize winners. The federal government would drain off the major portion of the prize money in tax if we paid it as an annuity.

Mr. Sargent: So they would not win \$1 million.

Mr. Morris: Yes.

Mr. Sargent: I see.

Ms. Bryden: I am very pleased we have an opportunity to review the lottery corporation as it has been six years since it was before our committee. I have maintained an interest in its activities during the entire 11 years I have been here. I came in 1975.

The first thing I would like to ask is, what is your concept of the corporation's mandate? The legislation says it is to operate lotteries on behalf of the government of Ontario, but it does not make any statement about what its objective is in raising revenue through this method. Originally, the main idea behind establishing a lottery corporation was to keep in Ontario a lot of money that was going to the Irish sweepstakes, lotteries in other provinces, private lotteries, to some extent as well, or foreign lotteries. It was a desirable objective to keep the money in Ontario and to give people who wished to gamble, which is what lotteries are, an opportunity to put money in things that would benefit the province.

The only thing is that one of the background sheets from the legislative researcher stated that the chairman--I am not sure whether it was you or another chairman--said your objective was to maximize revenue. That is a very fine objective, but if the Treasurer (Mr. Nixon) wanted to maximize revenue, he could put on a 10 per cent sales tax or a 50 per cent income tax and so on. It seems to me you have to have some idea of why you are raising revenue and where lotteries fit in as a revenue raiser. Can you comment on that?

Mr. Morris: Yes. First I will deal with the maximizing of revenue. What the chairman of the day was thinking of at that time--and I believe that came from one of our annual reports--was maximizing in the sense that we were trying to run the most efficient operation we could so the profits that flowed from the sales we did get would be maximized. I do not believe he was thinking that we were trying to wring every nickel and dime out of the public that we could. Knowing the gentleman in question and having participated in the operation at that time, I think he was referring to the fact that we try to run a very lean operation that will maximize the profits for the government of Ontario from the sales that come to us.

Lotteries are a very sensitive product, we are well aware. What is our mandate? We view it exactly as it is stated: to design and operate lottery games on behalf of the government of Ontario. We try hard not to create undue expectations. We try not to do those things that would cause problems for people. Our success has come, and our sales have increased, because we have been sensitive to what the players wanted, and we have responded with different types of game designs, although we have not embarked on some of the game designs that are available in other jurisdictions in the United States, such as the daily numbers game and so on. We feel we have a good mix of product available here in Ontario.

Having been given the responsibility for running those games, we try to run them to the best of our ability and we try to be efficient in doing it.

Ms. Bryden: Your sales from 1975, when you had just one game, have gone up about 10-fold, from \$97 million to \$1 billion, and the profits have gone from \$43 million to \$320 million. I guess the proceeds are a little more than one third of the amount that is wagered or spent in sales.

Mr. Morris: Approximately a third.

Ms. Bryden: Do you think the proceeds are sufficient to justify the province's entering into this field? Are we getting enough back for the various grants and awards that are made of the proceeds?

Mr. Morris: Lotteries are unique in that they are a voluntary action on the part of the players. Buying a ticket is not legislated; no one has to buy a lottery ticket.

There are only three areas where your money goes. You take it in in the form of sales and it goes back (1) in prizes, (2) in operating expenses and (3) in profit, which we turn over to the government. We have one of the highest rates of return to the players, and I think this is proper. The people who buy the tickets week in and week out deserve a reasonable return of around 50 per cent or a little more.

I know we get criticized because in other types of gambling endeavours, such as horse racing and casinos, the return to the player is more, except these are very different types of situations. For instance, in the case of

horse racing, there is no horse race in the world that would return a \$1-million prize on a \$2 bet, and we do have that here in Ontario. My only point there is that these are different.

10:40

The amount of money we return to the player is fair and equitable. That takes about 50 per cent. As you noted, our profit to the government is about one third. Together, that is roughly 84 per cent of the sales dollar. The remainder goes for such things as operating expenses, buying equipment, advertising, paying our salaries and paying the sales commissions to the retailers.

As we noted in our opening remarks, we think we run one of the leanest operations in the lottery business. I do not like making comparisons, but you have to. Loto Québec, which is adjacent to us, has slightly lower sales figures than we do. They have more than 800 employees, where we have about 240. Their expense level is four per cent higher than ours; four per cent of sales represents an additional \$40 million a year than where we are now. Their bottom line comes out the same as ours because they short the prize structure; they do not pay as much in prize money as we do. They spend more on administrative costs so they can then give about the same amount to the government. I think a third is a fair amount to be paid over for the grants programs. It is a reasonable amount.

Ms. Bryden: You said we are ahead of most other jurisdictions on the percentage of the sales that goes in prizes. Are we ahead of all the other provinces?

Mr. Morris: I think we are ahead of all provinces in Canada. I say most because there are more than 75 countries around the world where lotteries are played, and they are always changing, but from anything I have ever looked at, we are among the top level of prize payers in the lottery business.

Ms. Bryden: Do you think there should be any cap on the prizes paid out under things such as Lotto 6/49 when it can go over \$10 million or \$14 million on occasion?

Mr. Morris: I certainly do. I am on record, on a number of occasions, of expressing that thought. As I pointed out earlier, 6/49 is a game of the Interprovincial Lottery Corp.; the rules have to be agreed upon by all the provinces.

Ontario had the first winner of a prize over \$10 million in Canada. You may remember about two and a half three years ago--it will be three years in January--Mr. and Mrs. Kelly of Brantford won almost \$14 million. Everybody had said this would not happen, and it should not have happened because of the straight numbers we deal with. The probabilities were that with the number of tickets we sold across Canada that week, we should have had more than one winner. Unfortunately, we cannot control that. We cannot create more winners after the draw takes place. In that case, and in subsequent cases, there has been one winner.

At that time, I spoke to the other members of the Interprovincial Lottery Corp. and suggested that perhaps we should look at putting a cap on a single prize. I even suggested an amount that I thought was quite large: \$5 million. I felt we could not be criticized by anyone as being mean by limiting that to a \$5-million prize. The other side of my proposal was that we would

take the rest of the prize money and enrich the second-, third- and fourth-tier prizes. That suggestion, and I have made it on three occasions to the ILC, has never been accepted. But one thing that was done as part of this discussion was that when the jackpot amount gets to \$7 million, it grows much slower than it used to, and we have the second-tier prizes growing at that point.

I agree with you: I cannot come to this committee or to any other body and justify the necessity of \$10-million prizes. I think it is an economic waste, but in the great Canadian tradition of working these things out, we have come to a consensus. Lotto 6/49 has been an extremely successful game all across Canada. In Ontario today, it is our most successful game. When we start to argue from a position and say we have to change it, everybody says: "Why change it? It is so successful." We have not been able to convince our other members across the country.

Ms. Bryden: You are a member of the Interprovincial Lottery Corp.?

Mr. Morris: Yes, we are.

Ms. Bryden: There is no cabinet member on that from Ontario, is there?

Mr. Morris: No. The cabinet ministers in the 10 provinces are the shareholders of the Interprovincial Lottery Corp. They in turn appoint people to act as members of the board of directors of the Interprovincial Lottery Corp.

Mr. Chairman: We have a request for a supplementary on a point Mr. Morris made.

Mr. Leluk: Mr. Morris, you mentioned that you had recommended on five occasions that there should be a capping of the prize of Lotto 6/49.

Mr. Morris: On three occasions.

Mr. Leluk: It was rejected. You did not tell the committee the reasons for the rejection. The reason I ask is that there has been a lot of discussion about the prizes of \$10 million. I think we have reached a little more than \$10 million. You said in your statement this morning that your advertising policy is not to encourage overspending or to create unrealistic expectations among the players.

However, I recall the days of the California gold rush. Once you get a prize of \$10 million and climbing--and we heard of one in the United States; I think you mentioned \$30 million was won the other day--do you not think that in itself encourages a lot of people to provide excessive amounts of money in the purchasing of tickets for Lotto 6/49? We have heard of people who have sold their homes. There was a case in Ontario where a chap apparently sold his home, took the more than \$70,000, put it into Lottario tickets and was not a winner.

I would like to hear your comments on why your recommendations were rejected on these five occasions, and I would like to hear a comment about what I have just said.

Mr. Morris: I guess the reason for the rejection at the time was that the first three large jackpots in Lotto 6/49--there was one at \$14

million and a couple around \$10 million--were all won in Ontario. Because of that, we were very sensitive to the problem, and that is why we made the recommendation.

The other provinces had not won those prizes. As I said a few minutes ago, their standard answer all across the country was: "Look, this game is working extremely well. Our sales go up when there is a big jackpot." One cannot argue. That is a fact. Whether it is right or wrong that it should be allowed to go up is a different subject, but it is a fact that when the jackpot is large the sales go up. For that reason they said, "You do not fix what we do not think is broken."

We were one vote out of five in this matter; so we could not make it happen.

We advertise the jackpot amount on the radio. That is our only advertising on 6/49 these days. We did this after a lot of thought, study and research, and the one question people constantly were asking was, "What is the jackpot this week?" I think we have an obligation to tell people what it is. Unfortunately, when the jackpot does roll to \$10 million or more, other factors then take hold of the situation. It becomes a news story. The news coverage given to the size of the jackpot is far beyond anything we could ever buy in the way of advertising. We would not want to buy it, but the impact that news stories have is much greater than what happens from paid advertising.

Our strategy is built around what happens, week in and week out. Week in and week out, we have a smaller jackpot that gets won and we do not have a problem.

10:50

Mr. Leluk: I do not think we should be saying, for example, that we do not encourage overspending. The fact that your prizes grow as high as \$10 million plus, and the mention of those prizes, in itself is going to encourage people. We have to be honest with ourselves. People tend to want to take a chance, and this is a game of chance, on winning the big pot, the big prize.

Mr. Morris: When we say we do not feel we encourage overspending--what you are talking about is a situation we have no control over.

Mr. Leluk: There is control if you want to cap it at \$5 million. I realize that the fact these prizes grow makes this a more successful game; there is no question about it. The point is, if there were a capping of the top prize at \$5 million, do you feel people would not play this game?

Mr. Morris: I have said to you that I am in favour of a cap at \$5 million. I have tried to get that established on three occasions, but our colleagues across the country do not see it that way. They do not share the same concerns we do.

What I wanted to say about encouraging overspending was that in our advertising we have tried very hard not to do it. If you look at our advertising versus advertising in other jurisdictions, you will see what I mean. For instance, in Ontario, we never show anyone winning a large amount of money. I can tell you that when Miss Penelope won \$5, we sat for the best part of an hour arguing both sides, whether we should allow Miss Penelope to win

\$5. We looked at the facts and the facts were that at that time, and I guess even today, 100,000 people a week in Ontario won \$5 on Lottario. That is not an unreasonable representation of what has happened.

It has always been my feeling that because the number of large winners is small compared with the total number of players--that is what a lottery is all about--it is unfair to focus the advertising on people winning large sums of money. You can see them occasionally on the New York network when the New York state lottery shows something.

I have to confess to this committee that sometimes I feel a little hurt that we do not win some advertising awards when we compete with other lottery jurisdictions. I can tell you why we do not win awards. Our type of advertising, which we try to keep a little low key and perhaps a little humorous, is not the type of stuff that wins awards. One of the advertising executives who works with us said, "We could win you an award, but I would not want to vouchsafe for your job security in the province."

We try very hard not to overdo the advertising and not to encourage spending. We try to be sensitive to the question of large jackpots. I feel as a businessman that I would rather have two \$5-million winners than one \$10-million winner; you spread it around and get much more enthusiasm.

Mr. Leluk: As I say--I am not going to continue; I am sorry.

Mr. Chairman: We have had three supplementaries and only one was requested. I have had a request for another supplementary. Ms. Bryden, I will have to leave it up to you.

Ms. Bryden: I will allow another supplementary, but I am not quite finished.

Mr. Chairman: I know you are not. There will be just one.

Mr. Grande: I have just one. You stated that as a result of the huge winnings of \$14 million or \$10 million, ticket sales jump. It is a fact that during the time when you have the \$14 million you sell an enormous number of tickets. You suggested that you personally want to cap this thing. Where are the incentives for the interprovincial organization, of which you are a part, or for the governments that take part in this to cap when those huge prizes are good for business?

Mr. Morris: You are right that there is no financial incentive to the other governments to cap this thing. There are things in this life about which you have to sit back and say, "Is this the way we want to do it or not?" There is more to life than large lottery sales. I want to run a very efficient lottery operation and I like to provide the games that our players like to play, but there are certain things that need careful consideration. We have to be concerned about the large jackpots--those above \$5 million--from a straight economic point of view.

I get letters from our players who ask, "Instead of having a \$10-million prize, why not create 10 \$1-million prizes?" You cannot do that in a lotto game because people choose their own numbers. You draw the numbers and you do not know how many winners you have until after the draw takes place. Once that game is over, you cannot go back and start creating more winners. That is against the rules of the game. This is a problem, but it does not come up very often. It happens once in a while. We tend to get fewer of these because now,

not only in Ontario but also in all the other jurisdictions, we have a feature called Quick Pick on our machines.

Quick Pick is a method whereby a person can buy a ticket without having to pick his own numbers; the numbers are picked for him through the mechanism of a random-number generator. This tends to cover more of the numbers. When human beings pick the numbers, people tend to play certain pet numbers and there are certain ways they do it that tend to repeat themselves. As a result, you tend not to get all the numbers covered and, when that happens, you get the big jackpot rollovers.

As we all go more and more towards the Quick Pick feature on the terminals, however, we will tend to get the numbers covered. We will get winners but they will be multiple winners and we will not get the big jackpot buildups. However, it will still happen because we deal in probabilities and luck and we cannot forecast it.

Ms. Bryden: I share Mr. Leluk's concern about potential overspending. While you say you do not publicize the big winners very much, the radio ads giving the size of the jackpot are equivalent to advertising the potential winnings. I think that does lead some people to overinvest in lottery tickets or to put in a large amount out of their pay every week.

Your saying that your advertising is very modest does not jibe with the kind of ads that are coming over. You are publicizing that there are six chances to win \$500,000 in the Provincial, or something such as that, and some people think they have six chances. The odds are practically never published and I am not sure a lot of people would understand them. The amount of advertising hype that is being put into promoting lottery tickets does not necessarily jibe with the province's initial idea to make lottery games available to the people but to try not to develop more lottery addicts.

Mr. Morris: Mrs. Bryden, you are touching on the subject of addictive gambling when you mention lottery addicts. There is no doubt there is a disease called addictive gambling. It is relatively new in its recognition by the medical profession, which has recognized the gambling addiction as a medical problem only in the past six or seven years.

The research that has been done on this subject indicates that lotteries are not the problem in causing addictive gambling; it is games of the casino type, games over which people think they have control. A person has no control. According to Dr. Kaplan in the United States, addictive gamblers have to feel they have some control over the situation. In a lottery, they do not. Also, there is not the active participation there is in playing a table game. In horse racing they feel they have some control because they are handicapping the horses they pick, based on the horse's previous records, and they feel they have an edge.

11:00

As I said earlier, we have tried very hard to be responsible in our advertising. Yes, we do advertise the jackpot amounts. Based on the communications we have with people, we feel they want that. They feel they have a right to know how much the jackpot is in a particular week. You get caught in this thing. A large number of people feel they do not overspend; they buy their tickets each week and that is the norm.

I have to agree there is always the odd person who overspends.

Unfortunately, there are always people in society who overdo it, no matter what the activity. We read about people who jog too much, about people who do this or that too much. I admit there are probably people who buy too many lottery tickets. However, by and large, players in Ontario do not spend a lot of money. This is one of the points I was trying to make in my opening comment. In a piece of national research that was done last year for the Interprovincial Lottery Corp., it came forward that the regular player base in Ontario was the widest in the country. About 57 per cent of the adult population bought a lottery ticket on a reasonably regular basis, but spent less money individually than people in other provinces where there was a smaller player base but they spent more per person.

We have tried to do that: to have a wide player base but not to encourage people to spend too much. I think that has been the secret of our success. We have had widespread support of the people but I do not think we have serious overspending.

Ms. Bryden: I have one final question. I looked at the 1980 report of the standing committee on procedural affairs, when the lottery corporations last appeared. There were two recommendations. First, that the lottery corporation review its aggressive marketing policy to determine whether it is in the public interest and that once this review has been completed the Ministry of Culture and Recreation table it in the Legislature. The second recommendation was that the lottery corporation place a moratorium on the proliferation of its lottery games. Was either of those recommendations implemented?

Mr. Morris: We did review the marketing situation. I do not remember whether the ministry made a report to the House. On the moratorium on the proliferation of games, we have introduced two games since then. One was 6/49. If Ontario had not gone into the game, it could not have been run across Canada. At the time, there was great concern in all provinces that if the interprovincial group did not do this, there was every possibility the federal government would have come back into the lottery business with 6/49 and the provinces would have suffered a tremendous revenue loss.

I must stress that we bring in only games that are approved by cabinet. We cannot start a lottery game on our own device. We have to have cabinet approval. It has been that way from the beginning.

The Instant was brought in because we were concerned. First, our players were constantly telling us they wanted that type of scratch-off game and, second, we were concerned that some of our passive games, such as Wintario and the Provincial, were starting to get old and there could be revenue declines.

I would point out to this committee that this very question was debated in the House in a private member's bill--probably in 1982--and the bill did not carry. The House did not support that bill to put a moratorium on this.

Mr. Lane: I would like to think you would continue your efforts to cap the amount at \$5 million. I would be happy to get that much myself and I think anybody else would be. As you say, I would sooner have two winners of \$5 million than one winner of \$10 million. So carry on with that idea, although you have explained how it will probably work itself out in any case.

Mr. Morris: Concerning the plan I presented for capping, I could just take a minute to explain it. A lotto game works by people picking their own numbers. From the total sales revenue, a certain amount--in the case of

6/49 it is 45 per cent--is put into a prize fund. The first thing we do after the draw is over is to determine how many people have won a fixed prize of \$10 for selecting three numbers. That amount of money is then removed from the prize fund and what is left is divided by a predetermined percentage ratio into the jackpot prize pool: the first, second, third and fourth prizes. Those prize pools are won on a parimutuel basis. Usually, in the jackpot pool you get fewer winners than you do, of course, in the second-prize pool, because it is harder to get six perfect numbers out of 49.

I was trying to come up with a suggestion that did not take the excitement out of the game, because there is a lot of excitement when that jackpot grows and I think people like that. I look back to the first time we had that \$14-million jackpot. It was January. You know what January is like in this country--the January blahs--and everybody joined in. We had people in offices forming little groups to play the game and so on.

However, I do not suggest we should cap the jackpot per se because that would take some of the fun out. I am saying we should have a limitation on the amount of a single prize. Let us say, for instance, that the jackpot was \$14 million and we had one winner. We would pay that one winner \$5 million. The other \$9 million, I suggest, we should put back down into the second-, third- and fourth-tier prizes. The excitement--and this is what I try to say to my colleagues across the country--comes not because any one of us wants to win \$14 million. Most of us could get along very well with \$5 million.

Mr. Lane: Even \$1 million.

Mr. Morris: I could get along with \$1 million.

Mr. Lane: Yes, so could I.

Mr. Chairman: Tighten the belt a bit, that is all.

Mr. Morris: There is that fun of seeing it. The average player who gets into the fund is not thinking he or she will win \$14 million. What he or she is thinking is that with that much money around he or she is bound to win something. That is what we have to look at, but I cannot convince my colleagues. I guess I am not a good salesman.

Mr. Lane: But if you could get more money for the other figures on the ticket, that would help some.

Mr. Morris: We took a small step towards that. When the jackpot gets to \$7 million, we put only 15 per cent of the prize pool in instead of 45 per cent. I still feel we would not take away the excitement of the game if we let the jackpot flow as it does now, but we should just put that limitation on a single prize amount of \$5 million and then put it down. If you pick five numbers, that is actually the third-prize pool, because the second-prize pool is five numbers plus the bonus number. When you look at that third-prize pool, where you have missed by only one number, sometimes you can be looking at one person's prize of \$10 million and your prize may be \$1,000 or \$2,000. That is hard to accept. I agree with that person.

I will tell this committee that as long as I am president of the Ontario Lottery Corp. and as long as I am on the board of directors of the Interprovincial Lottery Corp., I will keep bringing up this subject.

Mr. Lane: I am glad to hear that. I think it would be a step in the right direction.

You explained the difference in the staffing between Ontario and Quebec. It is quite large: 238 in Ontario and 850 in Quebec. Are you overworking the people here, are they underworking them down there, or is there more money changing hands? Why the difference in the number of employees?

Mr. Morris: First of all, at the risk of being contradicted by some of my staff members who are here today, I will say do not think we overwork our people. If you look at the length of service of our employees, we are only 11 years old and the number of staff members we have with more than five years of service is really quite remarkable for an operation of our size.

We have endeavoured to streamline everything we possibly can in Ontario. We use some unique methods of distribution. For instance, our ticket distribution through the banking system is unique. Instead of building warehouses all over Ontario, which would cost money to build and money to staff, we use the banking system. They have branches in all parts of Ontario and they have developed a way of storing tickets. We are hooked into the Royal Bank's computer system and we can tell immediately when that money is paid in in the morning and transferred into our account. It is a very sophisticated system.

In our on-line gaming sytem--Lottario and Lotto 6/49--for every retailer who has a terminal it will click out twice a week with a little invoice saying: "Here is a summary of your transactions. This is the net amount of money you owe the corporation." That money has to be in an account. They have special accounts set up and twice a week we give the Toronto Dominion Bank a computer tape and it just circulates and collects the money. It is a very slick method.

Another thing we do, and have done from day one, is that all our tickets are sold on a cash-up-front basis. We do not have large accounts receivable that we have to monitor and collect because everything is done cash up front. I think that is a good concept and it has other ramifications. I do not think lottery tickets should be bought on credit by anybody, including retailers.

We have done these things over the years. We have a very dedicated staff who work hard and work smart and I am proud to work with them. We have an excellent team of people.

Mr. Lane: Certainly, if Quebec is not doing any more business than Ontario and it has the same number of staff, there would not be too much difference in the profit it is making per person. It is really a ridiculous situation where there is \$356,000 profit for each employee in Quebec as opposed to \$1.3 million for each employee in Ontario. It is rather startling.

Mr. Morris: It is.

Mr. Lane: I am a great supporter of lottery games. It was a tremendous thing to have happened back in 1975 or whenever, especially for culture and recreation programs across the province. We have a great many recreation facilities that were badly needed and that we would not otherwise have been able to have, so it has been great. Even though I personally have not been able to win any money--I think \$5 was the most--it is still a great program.

However, I do have a complaint, and Mr. Sargent touched on it this morning. The lack of terminals in small towns is causing not only a lack of ability to sell Wintario, Lottario or Lotto 6/49 tickets, but also it is taking people to other towns to play the game. While they are there, perhaps they spend their grocery money in the larger store in that larger town and fill up their cars with gasoline and so forth. The poor little guy back home, who we must have to keep the town together, gets hurt. I wonder about it. Perhaps we have too many distributors. I saw the number here; 13,000 retailers.

There was a situation that happened with me this summer. The little village or town of Manitowaning is not incorporated, but it has 400 or 500 people. It has a bank, post office, general store and so forth. There are about five retailers in that little place and they have not been able to get a terminal. The closest terminal is at Little Current. It has larger grocery stores and so forth. People go to Little Current to play the game and while they are there, they spend their weekly grocery money and so forth. This is hurting the little towns. Is there any way we can afford to have a terminal in each small town or perhaps cut down on the number of retailers so that the volume of ticket sales in one location in a small town would be greater?

Mr. Morris: The 13,000 is the number of retailers who sell passive tickets. The number that have terminals is a little more than 3,500 at the moment; by the end of this fiscal year it will be 4,000 across the province. We hope that on an ongoing basis we will have 5,000 terminals across the province by the end of the following fiscal year. The area you are touching on is one to which we are very sensitive. On many occasions, I have received letters from you on this subject, as I have from your colleagues on both sides of the House. Anyone who has a rural type of riding is sensitive to this issue.

Our sales and distribution department has been working very hard on a detailed study of the whole province because our ultimate goal is that no one will have to travel more than about 10 kilometres to a terminal. This is a big province. We are trying desperately. Basically, the policy we have on putting in a terminal is that a person must have \$600 in weekly sales of our passive tickets before we will put in a terminal. However, we have waived that in rural areas that are some distance from a terminal. For instance, there are towns that have three stores that together do a total of \$600 and those towns are not going to support any more than that. We try to put the terminal into the store that is the best retailer of our other lottery tickets.

We are in a bind at the moment. As you are probably all aware, we have in the field both old green terminals, which were the ones we started with, and blue ones, which are our newer models. We are desperately trying to get rid of all the old green ones by November because, starting in November, we have a new contract for maintenance of the terminals. Part of the conditions of the request for proposal we issue to the public companies that repair these things is that there will be one type of terminal by November because the green ones are starting to get old. They have paid for themselves many times over but they are causing us some problems. As long as we have them in the system, we cannot get a unified system. There are some things we want to do to improve the operation that we cannot do.

All our new terminals that are coming in are going to get rid of the green ones by November; touch wood. If the supplier keeps sending them on time and if we keep replacing the others, we will be over this problem in November. Then we will again expand the network. We have a long list of people who have qualified and we will get terminals to them as quickly as possible.

Mr. Lane, I say to you and all your colleagues in the House that we at the Ontario Lottery Corp. will do our very best to have not only the large cities but also the small cities equipped with terminals. It will take us a while. As I said earlier, it will cost \$10,000 a terminal. An increase of 1,000 terminals a year is a commitment of \$10 million and that is fairly chunky.

11:20

We are doing our best on what I feel is a responsible program. I think when we get to about 5000 terminals--and that will be my recommendation to the board when we come into the budget period in the forthcoming year--we will have pretty good representation in most of the smaller communities.

Mr. Lane: I appreciate your intentions and efforts. I still feel it will be a long time in northern Ontario before we get rid of the problem I just mentioned whereby we punish the little business person in the village, whom we have to have to keep the Boy Scouts, the local church, etc., going. He is the backbone of the community; yet every time anybody goes out of town to spend some money to buy a Lotto 6/49 ticket because there is no terminal in town, he is going to spend other money outside town too. That is hurting the little guy back home.

You are conscious of the problem and are working toward resolving it. I am happy with what you have said; I just hope we can speed the matter up a little bit and--

Mr. Morris: We will do our best.

Mr. Lane: --not continue to penalize the little people we have to have. They are the backbone of the community. The fact that we have the lottery system in place is hurting them. It would be better for them if it were not there, because people would not be going out of town.

Mr. Morris: Yes.

Mr. Lane: That is the downside of it. I appreciate it that you are responding to my concern.

Mr. Morris: I would like to report that our chairman, Mr. Stothers, is now here. He is available if anyone wants to question him.

Mr. D. W. Smith: I have two or three questions. You have done a lot of surveys and have statistics in the document. Have you ever done a survey on whether during the past few years the increase in ticket sales in the lottery game has kept people at home and kept them from going to the United States to the big gambling houses? Have you done any surveys along those lines?

Mr. Morris: We have not, but I do not think we have to. I think we can answer the question for you. People who go to casinos go for many different reasons. A lottery is not attractive to a person who is interested in table games such as you get in a casino.

Mr. D. W. Smith: They are not the same players, or if they are the same, they still go to the other place.

My other question is a little more specific to my own riding. People in the village of Arkona asked for a terminal in early spring. I think I wrote a

letter to the Ontario Lottery Corp. Arkona got the terminal but never got it hooked up. I wonder why there is a long delay in hooking up terminals. They said the wires were all there, but they were not able to use them.

Mr. Morris: Is the telephone system a private company in Arkona or is it part of Bell?

Mr. D. W. Smith: It is a private company.

Mr. Morris: We have had some problems. There is another gentleman, Reeve Fisher, in Blenheim--not Blenheim. I have forgotten which town. He called me a few weeks ago. He has exactly the same problem.

Some of the small private telephone companies do not have the necessary equipment to process this type of thing into the main Bell system that comes into our computer centre. They are getting it. In this particular case, we had the terminal installed because we had been advised that everything was set to go. We got the terminal in and then there was something wrong in the switching station. We did not take it out. We left it there because we were hoping they were going to get it hooked up. The problem is with the telephone company, not with us.

Mr. D. W. Smith: It is the same exchange. It is the People's Telephone Co. of Forest Ltd. You have two terminals in Forest and they have been going quite well, I guess. At least they seem to be busy. I wanted to ask the question because the reeve of that municipality keeps asking me, "When are you going to get it hooked up?" I do not have a very good answer.

Mr. Morris: I would be glad to get the details of the store, look into it personally and advise you on it.

Mr. D. W. Smith: I do not know whether it is stated in your brief, but what percentage does the seller get for each ticket? Is it based on different figures?

Mr. Morris: There are different rates of commission. A retailer gets eight per cent commission for Wintario and the Instant and five per cent on everything else. The reason those two are higher is that the retailer has to carry an inventory and pay cash up front, so he gets a little higher commission. On Lotto 6/49 or Lottario, he does not have to pay for the terminal and does not have to provide cash up front, so the commission is five per cent.

Mr. D. W. Smith: I suppose this is perhaps a psychological question. Lotto 6/49 has a payoff of about one in 53, about 10 times higher than any other game. Is it the chance of the big win that draws people to that game? I did not realize there was that much difference between 6/49 and Lottario and all the rest.

Mr. Morris: If you look at the odds of winning in Lottario, where you are picking six of 39 numbers, the chances of doing that are roughly one in 3.3 million. Your chances of picking six of 49 numbers escalate to one in 14 million. That is a straight reflection of the numbers; that is how many number combinations there are. With 6/49 of course, people realize that it does have the large jackpot, and that is what they go for. There is a great feeling that if Lady Luck is going to smile on you, she has to smile only once.

Mr. D. W. Smith: It has to be that feeling, I think, when you look at the figures you have presented in your brief.

Mr. Shymko: Because of the lack of hesitation and the sense of responsibility you have, I imagine that you are pleased to appear before this legislative committee, which is reviewing your operation of the corporation. You do not hesitate to be publicly accountable for the operation of the corporation. Do I understand that correctly?

Mr. Morris: I think that is a fair statement. Mrs. Petrik, who is our vice-president, corporate communications, has long advocated, and we have practised, the policy of being completely open.

Mr. Shymko: Good for you. We are all pleased to hear this. Just following through what you have said in your statement, that you believe in open and public accountability for the \$1.6 billion we have collected in revenues in the past 10 years, do you feel there should be an equitable treatment of accountability for all the lottery games operated by the corporation?

Mr. Morris: I am not sure I understand your question.

Mr. Shymko: You have six games currently operating: three initially introduced in an act and an additional three introduced by order in council later on. When we talk about public accountability, do you agree that the accountability factor and principle should apply equally to all these games?

Mr. Morris: I think we account for all of them equally. The financial report that we publish each year and which is tabled in the House by the minister shows the details of the individual games.

Mr. Shymko: Notwithstanding the report, which is fine--and I certainly congratulate you and will be questioning you on some aspects of that report--do you accept the principle that there should be an equal public accountability? What we mean by public accountability is an act that establishes the operation of these games and the purpose for which the moneys are supposed to be channelled, that is, public accountability through legislation that we debate as members of the Legislature.

In case there is any intention to change the purpose of these games, we put through an amendment, such as Bill 38, a classic example of a public process where we participate in changing. Bill 38, which has received first reading, will be debated in the House by the representatives of the people of all three parties, just as we debated a private bill once, which you referred to in your comments.

Your understanding of that debate was public accountability. You mentioned it. There was a private bill. This is a public bill, which is the classic, the maximum example of public accountability.

11:30

What surprises me, if we accept that principle, is that you have three games. The first category, class 1, which is the superior category, would relate to the original games established. Those games are guided by section 9 of the act: Wintario, Lottario and the Instant games. Any changes as to the purpose set out in section 9--namely, fitness, sports, recreation and cultural activities--will be debated publicly. There is public accountability for any change in policy to the purpose of that. Then we have a second-class category of games, some of which are very successful, namely Lotto 6/49--far more successful in terms of revenue than Wintario, which is declining, according to your report. Yet that is not publicly accountable.

It was introduced by order in council. It has been amended by order in council without public accountability. We have two classes of games. One is accountable through the process of amendments to legislative public bills and another one totally isolated, not accountable, where arbitrarily an order-in-council decision can change the whole purpose. We have no equality of public debate on those games.

I understand your mandate is not to discuss policies. Your mandate is not to comment on the purpose of the order in council or cabinet changing the channelling of moneys from health and health research to the consolidated revenue fund. You cannot comment on that because you are administering it. I think you have commented publicly on the public accountability principle.

This is my long introduction, but I would like to hear from you that it would be preferable and much easier for you as the administrators of this corporation to have an equal application of public accountability for all these games.

Mr. Morris: As for public accountability, I think at the Ontario Lottery Corp. we account for the operation of the games and that we provide a lot of accountability. We give a lot of public explanation about how the games work and what the rules are. We provide a lot of information on the success of the games, their net results and how much money we have turned over to the government. I think you are quite right; it is not my place to comment on what takes place after that. It is a matter of government policy. I am sure that opportunity will be given to you, but I do not think as an administrator of the Lottery Corp. it would be proper for me to comment on that.

Mr. Shymko: I understand the position Mr. Morris is in. I understand as well that there is an admission that a principle has to be maintained and that it makes your job much easier and also our job as a people who want to make sure things are accountable to the electors and citizens of this province. Lotto 6/49, which is not accountable as far as I am concerned, is not subject to the process set out in the act establishing the first three games. It has increased from \$66 million in 1984 to \$98 million in 1985, whereas Wintario went down from \$40 million in 1984 to \$28 million, an accountable game versus an unaccountable game.

In terms of the revenues generated and the purpose set out, I think it is important that games which increase at such a phenomenal volume have some accountability as to where these moneys from the people who purchase these tickets should be checked. That input should be equal. I understand you have no objection to the equitable treatment of these games in terms of appearing before this committee in terms of how you try to report the operation of these games equally. You maintain a principle of equitable treatment.

Mr. Morris: My point is, as far as public accountability on behalf of the Ontario Lottery Corp. is concerned, we try to be accountable to the public. We try to be very open. We provide a lot of information to a lot of people about the operation, but the day I sign the cheque along with my colleague and we transfer the money to the government, our involvement stops. What you are talking about this morning involves a situation that takes place after that point. I do not think it is proper nor am I really equipped to discuss that here with the committee this morning.

Mr. Shymko: Maybe we should be questioning the ministry representatives and those who perhaps are more familiar as to why section 7, when it had authorized the corporation to enter into agreements which by

nature would be interprovincial and with the government of Canada, whether or not one could have indicated under subsection 7(b) the intent and the purpose for which the moneys of such agreements and such games were to be intended, as we had with section 9 dealing with Wintario, Lottario and the Instant games. These Instant games were introduced recently. They were introduced after your third report, were they not?

Mr. Morris: The Instant game was introduced into Ontario two years ago last March.

Mr. Shymko: These Instant games are different by nature from Super Loto or Lotto 6/49 because they do not require interprovincial agreement?

Mr. Morris: The three games that we have mentioned, Wintario, Lottario and the Instant game, are games that are only operated within Ontario. The other three games are operated across Canada under the auspices of the Interprovincial Lottery Corp. The Ontario Lottery Corp. is the regional marketing organization that handles the sales and collects the profits in Ontario.

Mr. Shymko: I wanted to ask whether there would be any illegal aspect in terms of legislation that one would be prevented to set the purpose in an act of these major games and leave it to an order in council to decide the use of that. Whether that could be in an act or not is something that would have to be discussed in a different forum.

Mr. Chairman: Yuri, would you allow a supplementary from Mr. Leluk to your question and from Mrs. Bryden?

Mr. Leluk: Just following along on Mr. Shymko's comments, I realize, Mr. Morris, that you may not be able to comment on government policy with respect to Bill 38 and the order in council referred to, which will alter the moneys from those particular six games going to sports and fitness and to health and environmentally related health research, other than through an order in council now.

Your concern is with the sale of tickets. We talked about the prize and 6/49 and how the big prize generates ticket sales. Are you equally concerned with the fact that possibly now through Bill 38, which is going to alter the moneys available for promotion and development of physical fitness in this province, sports, recreational and cultural activities, there are many sports organizations out there and people who now buy these tickets simply because they support sports and fitness in Ontario who will stop? That they buy these tickets, I know to be a fact because I deal with many of these hockey leagues, etc.

When they find out the moneys are going to go into the consolidated revenue fund of government to be used at the whim of this government and that through an order in council it is going to designate how much money is going to go into sports and fitness, etc., are you concerned that this might affect the ticket sales and they may decline somewhat?

Mr. Morris: I look at myself as a businessman selling a product. A good cause makes it easier. I think our research over the years has shown that people do not primarily buy lottery tickets because of the good cause; they buy the tickets to win. However, having lost--and because we have a successful lottery we do have more losers than winners--then they take comfort from the fact that the money, ultimately, is used for what I would term a good cause.

Mr. Leluk: Less of that money may be used now for this good cause.

11:40

Mr. Morris: As president of the Ontario Lottery Corp. I hope--and I have no reason not to believe--that Ontario lottery funds will always be used for good causes that would make our life a little easier in selling the tickets.

Mr. Leluk: Under Bill 38, under this order in council, less of the money that is generated through these games of chance will now be available, because it will be at the direction of the government, through an order in council, how much money will go into sports and fitness facilities in this province or into health and environmentally related health research and hospital capital projects. That will be decided now by the government, whereas before the moneys were designated for those purposes and all moneys that were generated were used in those areas.

Ms. Caplan: Show me some evidence that is where the money was used in the past.

Mr. Leluk: I am asking a question, Ms. Caplan. I was concerned about whether this might affect the sale of tickets. As I say, I happen to know there are many sports organizations that play these games simply because they support our sports facilities and major sporting events in this province. Maybe it will not hurt to a degree. You do not see this as a problem, Mr. Morris; so that is fine.

Ms. Caplan: That is not factual.

Mr. Leluk: I am not talking to you, Ms. Caplan; I am addressing Mr. Morris.

Ms. Bryden: I was also going to raise the very important point you are raising. The proceeds of the three interprovincial lotteries are determined by order in council rather than by section 9 of the Ontario Lottery Corporation Act. For a long time, I could not understand how all these grants to hospitals and social services were legal under section 9 of the act, but now I understand that the three interprovincial lotteries are governed by a separate order in council.

Are you aware that the proceeds of the three interprovincial lotteries covered by the order in council are now going directly into the consolidated revenue fund even before the passage of Bill 38, which will put all the other lottery funds into the consolidated revenue fund for the purposes of the province of Ontario? That was the new order in council passed on May 22, 1986, a few days after the budget, and it affects what Bill 38 does, which is yet to come before the Legislature for debate and may not be accepted. It makes operative the principle that the Treasurer (Mr. Nixon) is trying to introduce of transferring all lottery proceeds to his tender mercies in regard to where they go. Nothing will be earmarked from either kind of lottery. Are you aware that order in council was passed on May 22, 1986?

Mr. Morris: Yes, I am. I received a copy of the order in council.

Ms. Bryden: I can understand that your mandate is not to decide on the allocation, but it has put a whole new picture on the distribution of lottery funds and people's attitude when they are buying tickets. They will

have to decide, if they wish to buy a ticket, knowing that the Treasurer will use the proceeds of his own volition for any subject.

Mrs. Marland: May I raise a point of order?

Mr. Chairman: What is the problem?

Mrs. Marland: We have a speaking list in front of the chairman and I do not know where I am on it. Am I after Mr. Shymko?

Mr. Chairman: You are after Mr. Leluk and Mr. Grande.

Mrs. Marland: Let me raise my point of order, in fairness, Mr. Chairman. I may be after Mr. Leluk and Mr. Grande on supplementaries, but I indicated I wished to speak a long time ago in the order of speaking. I think the supplementaries are taking over from the speaking order, and that is not a very good process under which to proceed. The indulgence of the person who has the floor, namely, Mr. Shymko at the moment, is being extrapolated to a point where it does not make sense to have this conduct of the meeting.

I respectfully suggest that we not have supplementaries, that people wait their turn and that they can ask whatever they want as a supplementary in their speaking order. Otherwise, we are going to go past four o'clock and some of us will never have been able to speak.

Therefore, I ask you as the chairman to take your speaking order without the supplementaries. I also think the clerk will confirm that I asked to speak at the time previous speakers were speaking. When people have not spoken at all, it would be fair to take them before other people making supplementaries.

Mr. Chairman: I quite agree, Mrs. Marland. I was going to suggest this at the time you requested a supplementary, if you will recall.

Mrs. Marland: I was doing it out of self-defence.

Mr. Chairman: In all fairness, it is getting a little difficult. We have had four requests for supplementaries on this one question. I quite agree, Mrs. Marland. If I as chairman may make the ruling, I will so do.

Mr. Grande: Before you make that ruling, I would like to speak to the point of order. In the past around here, supplementaries were allowed at the discretion of the chairman and provided they did not take an enormous amount of time, because obviously they serve a purpose in clarifying or enlarging the point a member is making. It is valid to do it at that time instead of waiting 10 minutes later and then returning to exactly that same point and duplicating. That is the intention of supplementaries. Of course, it is at your discretion whether that occurs or not.

Mr. Chairman: Those are the key words. It is at the chairman's discretion, and he is using just that right now to suggest that we will revert to the order of questions. We have Mr. Shymko with his second question.

Mr. Shymko: Just to follow the trend of my questioning on accountability, I understand that in your capacity as president you and the chairman of the corporation, according to the mandate you have, meet regularly with the minister; I understand it is at least quarterly. Is that a fact? Do you meet with him?

Mr. Morris: Yes.

Mr. Shymko: Am I also to understand that, in addition to submitting the report, you are required to submit for the approval of the minister the establishment of new games and revisions of existing games?

Mr. Morris: That is true.

Mr. Shymko: Am I also to understand that you are required to submit to the minister proposals for joint lottery games with other parties and any changes in policy that significantly affect the operation of the corporation?

Mr. Morris: That is true.

Mr. Shymko: In other words, you do get involved in discussing policy.

Mr. Morris: Mr. Shymko, we do get involved in the discussion of policy vis-à-vis the operation of games. We do not get involved in any way, shape or form in discussions about where the money is going to go.

Mr. Shymko: In an answer to Ms. Bryden, you did indicate that you were aware of the pending order in council. Were you made aware of that change in the order in council afterwards as a fait accompli or was it discussed at any of these meetings that there was an intention to change the purpose of these funds?

Mr. Morris: It was never discussed. I have never had any discussions with any minister I have worked with during my six years at the lottery corporation about where the funding was going. I received, as I am sure everybody throughout government received, a copy of the order in council after it was passed.

Interjection.

Mr. Shymko: Yes. That is a very interesting statement you have just made. We will all have to make a note of that.

Do you believe that changes in policy that significantly affect the operations of the corporation--one can use as an example the purpose for which the game is being used--may be an element that significantly affects the operation of your corporation? Could you define that, the purpose for which the moneys are being used?

Mr. Morris: I think you are referring to and quoting from our memorandum of understanding with the minister.

Mr. Shymko: Yes.

Mr. Morris: The thrust of the memorandum of understanding is that it is a tool of control that the minister has on the operations of the lottery corporation; it is not a tool of control that the lottery corporation has on the government of Ontario. I think you can understand that. The policies that are referred to in the memorandum of understanding are the policies that would be used and adopted by the board of directors in the operation of the lottery. There are two different areas of policy here, and that is what the policy reference in the memorandum of understanding is all about.

Mr. Shymko: You mentioned that when the first order in council was introduced in 1983 authorizing you to enter into agreements, there was the problem of offsetting some games the Canadian government was about to introduce. I understand some of the negotiations started as early as 1979. Were you involved in giving your opinion as to the use of the moneys generated from such agreements?

Mr. Morris: I think you are making reference to when we started Lotto 6/49. I was involved in discussions with the chairman of the board and the minister as to the implications of the operation of the lottery if we did not join with the other provinces. There were discussions on what would be the effect on the Ontario Lottery Corp. if the federal government launched the 6/49 game and the effects that would have on our other games. However, I do not recall ever being consulted or anyone asking my opinion as to what we should do with the money.

Mr. Shymko: In other words, the purpose--to channel funds for health, environmentally related health research and hospital capital projects, which became the purpose for the use of 6/49 and the other two--was never discussed and you were not asked for any input.

Mr. Morris: No.

Mr. Shymko: Do you feel that should be the relationship in any changes as to where the moneys are channelled from an organization that generates \$1.6 billion--which is not chicken feed, in my opinion--that you should have no input whatsoever or advice sought as to the motivating factor you describe? Sometimes the individual who purchases a ticket is motivated more by the selfish reason of winning than the purpose, but there may be an element of motivation that can come from where the moneys are channelled, as you have indicated quite well. Do you think you should be involved or your counsel sought in that area?

Mr. Morris: The determinations of where the money should go ultimately lie with the government and the House. I do not think it is the role of the lottery corporation to tell the government what to do with the money. If they do certain things with it, as I indicated, it might make our life a little easier selling some tickets. It will not cripple us or anything such as that. Really, that fiscal responsibility lies with the government.

Mr. Shymko: We are talking about public accountability, which is another type of responsibility. I understand that you are a champion of public accountability. Certainly, as president of the corporation you have performed your responsibilities to make sure everything is open and accountable to the people. I would venture to say you would have been much more comfortable if there had not been two classes of games, one that is more accountable to the people and another class, a very successful class, that is not accountable to the people of Ontario in the same process of accountability that we are used to seeing as members of the elected assembly.

I want to proceed with my last question--

Ms. Caplan: One short supplementary question--

Mr. Shymko: May I finish my question?

Mr. Chairman: Ms. Caplan, I did make a ruling that we are not going to allow supplementaries, since we seem to be overwhelmed with them. I have you on the list.

Ms. Caplan: I have one short one on this issue.

Mr. Chairman: I will leave that to the discretion of Mr. Shymko. Will you allow it?

Mr. Shymko: Yes. I have a lot of respect for Ms. Caplan.

Ms. Caplan: The question I have is, during the estimates process for the Ministry of Tourism and Recreation, is there not a full debate on your budget and on the use of the funds?

Mr. Morris: I had better explain a little. We are not funded from government funds, so we are not a line item. We do appear with the minister when he is in estimates, and this past year was the first year we have been questioned since I have been involved. I do not recall whether there were any members of this committee in the estimates committee, but we answered any questions they had.

Ms. Caplan: So you are there in attendance when questions are being asked. Is there any distinction made during the estimates process regarding the two classes of games Mr. Shymko referred to?

Mr. Morris: In all honesty, I do not think it has ever come up in estimates.

Ms. Caplan: Thank you.

Mr. Shymko: I want to ask some questions on the operating expenses of the corporation. I have before me the 1984-85 report. The operating expenses for the year ended March 31, 1985, are listed on page 23. Advertising has gone up from 1984 to 1985 by \$4 million, from \$18 million to \$22 million. Ticket printing is up by approximately \$3 million, from \$7 million to \$10 million; administration expenses are up by \$3 million, from \$18 million to \$21 million; payment to the government of Canada is up by \$3 million, from \$12 million to \$15 million. The big one is equipment and building; it has gone up from \$1,202,000 in 1984 to \$22,070,000 in 1985. The total operating expenses have increased from \$58 million to \$91 million in one year.

I would like to ask the president what percentage of the revenues of Ontario Lottery Corp. are required to cover operating costs, and can he tell me how this has changed since 1971?

Mr. Morris: Since 1971?

Mr. Shymko: Pardon me; since 1975, when it was established.

Mr. Morris: If you group advertising and operating expenses, we look at advertising, administration, ticket printing and distribution costs as operating expenses and we deduct the interest we earn on the moneys in the bank. In our first year of operation, 1975-76, those expenses amounted to \$9,000,839 and our gross sales were \$97 million. Therefore, those expenses represented 10.1 per cent. In the past year, 1985-86, those same expenses represented six per cent of the sales dollars. In other words, there has been a decline in the percentage.

You are quite right when you touch on capital expenditures of \$22 million compared with \$1.2 million in the year before. All we were buying at that time was terminals we put into stores. In 1985, and it will show up again

in this current year, we were in the throes of building a new data centre to operate the game, because the tremendous increase in the volume of sales of our on-line games necessitated that we build a new data centre. That is the type of thing, but our other--

Mr. Shymko: May I stop you for a minute there?

Mr. Morris: Yes.

Mr. Shymko: I get confused when you point out the costs of new buildings and the terminals. You indicate on the last page of your report that in 1984 you entered into agreements for the purchase of more than 3,000 terminals valued at approximately \$25 million.

Mr. Morris: Yes. That purchase was spread over three years, but under the accounting rules, there is a commitment there; we have to disclose it.

Mr. Shymko: That commitment started in 1984 and goes to 1987; is that right? Are those the three years?

Mr. Morris: The three years are 1984, 1985 and 1986.

Mr. Shymko: How much of the operating expense of \$22 million is equipment? How much did you allocate for equipment versus building in that \$22 million for 1985?

Mr. Morris: Wait a second; I might have that figure here. Most of it is equipment.

Mr. Shymko: Now it is "most of it;" you just said most of it was building.

Mr. Morris: I said we were building a new data centre. We bought an older building for \$1.3 million; \$1.3 million of the \$22 million is for land and a building, and the rest is all mechanical equipment.

Mr. Shymko: In other words, about \$20 million of the equipment and building category, approximately 90 per cent if not more, is for equipment.

Mr. Morris: Yes.

Mr. Shymko: I would like you to comment, because I am not an expert in financial areas. The chairman may be more well versed in this area than I am. Under operating leases, you have the estimated minimum cost for leases as about \$6.5 million. These are leases of what: buildings where the terminals are located?

Mr. Morris: No. These are the projected lease costs of our offices at 2 Bloor Street West. If you read the note, and this is a standard accounting note that all corporations have when they are involved with leases, it says: "The corporation occupies office space at various locations under operating leases expiring over terms varying from one to 10 years. The estimated minimum cost of such leases is \$6,583,000 in the aggregate. The annual minimum rentals for the next 10 years are as follows," and it spells it out.

Mr. Shymko: They seem to be declining every year until 1990-95, when they will go up almost seven times.

Mr. Morris: The leases will go up because our present lease at Bloor Street calls for an increase in 1991, but the last number of \$3,769,000 is for a grouping of five years; it is not for one year.

Mr. Shymko: That includes the Bloor Street location, which is the biggest hunk?

Mr. Morris: That includes the Bloor Street location. We also lease space that we used for the original data centre, which will become our backup data centre when we move in and make the new one operational. That \$3,769,000 for 1990-95 is for a five-year period, not just for one year. It is just the way the accountants choose to show it.

Mr. Shymko: I have one last question, a simple question. What is the role of the recently established Trillium Foundation? I think some \$36 million has gone to voluntary service organizations. What is the role of that foundation in relation to your corporation?

Mr. Morris: There is no relationship at all.

Mr. Shymko: Is it totally unrelated?

Mr. Morris: The Trillium Foundation is another crown corporation. There is no tie-in between the two. The government of Ontario funds the Trillium Foundation from lottery revenues, but there is no tie-in between the two organizations. If an arena is built in Kapuskasing from lottery funds, there is no connection between the arena in Kapuskasing and the Ontario Lottery Corp. It is just that it is a beneficiary of the funds.

Mr. Chairman: By the clock, this would be a good time to recess for lunch and come back at two. I have on the list Mr. Leluk, Mr. Grande, Mrs. Marland, Ms. Caplan and Ms. Bryden.

The committee recessed at 12:02 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO LOTTERY CORP.

TUESDAY, SEPTEMBER 16, 1986

Afternoon Sitting

STANDING COMMITTEE ON GOVERNMENT AGENCIES

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VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

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Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Bryden, M. H. (Beaches-Woodbine NDP) for Mr. Swart

Caplan, E. (Oriole L) for Mr. South

Grande, T. (Oakwood NDP) for Mr. Hayes

Shynko, Y. R. (High Park-Swansea PC) for Mr. Rowe

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witness:

From the Ontario Lottery Corp.:

Morris, D. N., President

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Tuesday, September 16, 1986

The committee resumed at 2:12 p.m. in room 230.

AGENCY REVIEW:
ONTARIO LOTTERY CORPORATION
(continued)

Mr. Chairman: I see a quorum. Since Mr. Shymko is not here, Mr. Leluk, you are next on the list.

Mr. Leluk: I was afforded the luxury of asking two supplementary questions this morning. Because there is a long list of people who want to ask further questions, I will defer.

Mr. Chairman: The next one on the list is Mr. Grande, who is not here. Mrs. Marland is not here. Ms. Caplan was here. Ms. Bryden, I am down to you. How was that for moving through the list pretty quickly?

Ms. Bryden: I wanted to ask some questions about the distributorships.

I did have a constituent who had run a very excellent lottery operation in her variety store for many years and was a very capable business woman. In about 1979, she applied for a distributorship. She received a statement saying that her application had been received, but she never did get considered.

Finally, when it was decided to advertise them, she put in another application, but of course this was six years later. She was approaching what some people consider the age of retirement, but variety store operators never consider retirement as part of their working life. Most of them have to continue. She would have found a distributorship a great relief from variety store work and also more lucrative. Anyway, she was not considered then either, although they said her initial application was satisfactory and she had all the proper bank letters and so on.

I would like to know what the process is when you advertise now and when you receive applications from anybody who saw your ads. What happens to those applications? Is there a committee that considers them? Is there somebody who sorts them out into people to be interviewed and so on? Is a recommendation made to the board? How does it work?

Mr. Morris: I recall the lady you mention because you wrote and made inquiries on her behalf. I looked into that case very carefully.

What happens now is, when a distributorship is open, we advertise in the local news media. In the situation you mentioned, if I recall correctly, we had a few more than 300 applications. The applications come in and our sales and distribution department review them. We have certain criteria that we are looking for, one of which is the person has to be able to put up \$50,000 because they have to be able to buy the tickets cash upfront. They go through and get the numbers down to about 40. Then a subcommittee of the board goes through the roughly 40 applications, trying to get a list of about one dozen people to interview.

Needless to say, everybody interviewed could do the job. Obviously they have the background and qualifications. From that group of about one dozen people, the committee looks at them and it is a judgement call as to who it thinks would make the best distributor. It is looking for experience dealing with retail stores. It is looking for people who are hustlers because the person is out there by himself or herself and he or she is on commission. He or she has to get up and go every day because if he or she does not sell tickets, we do not sell tickets. We need somebody who can deliver and get the tickets out there and do all the jobs that are necessary.

It is one of the most difficult things we deal with because, as I say, when we have advertised the past few times since we have been advertising, we have been getting 300 or more applications. Not all qualify, but we do get that many to process.

Mr. Chairman: Ms. Bryden, would you allow a supplementary from Ms. Caplan?

Ms. Bryden: Yes.

Ms. Caplan: When did you start advertising for these distributors?

Mr. Morris: Last September.

Ms. Caplan: How did you do it before that?

Mr. Morris: Before that we used to get applications coming in all the time and we used the applications that were on file. Rightly or wrongly, the people on the board at that time felt it showed a certain quality of initiative that a person would apply rather than just wait to be prompted by a newspaper advertisement. However, the Honourable John Eakins, our minister, felt we should advertise so everyone knew the opening was there, and we certainly do that now.

Ms. Caplan: How many openings do you have on an annual basis?

Mr. Morris: On average, we get about two openings a year. They pretty much come about by retirement or death.

Ms. Caplan: So once someone has a distributorship, it is for life.

Mr. Morris: I would not say "for life," because we have terminated distributors on occasion for not performing as well as we wanted them to perform. As our business matures more and more, we are looking harder and harder at what they are doing to make sure they are carrying out the role we want done. Business gets more competitive all the time. Although we are not competing against lotteries, we are competing against other demands on the consumer's dollar.

Ms. Caplan: I know the Manual of Administration does not apply specifically, but there is a memorandum of understanding. Are hiring practices, the method for hiring for distributorships and so forth, addressed in your memorandum?

Mr. Morris: No, they are not.

Ms. Caplan: Thank you.

Ms. Bryden: Ms. Caplan's question certainly supplemented the subject I was probing.

Mr. Chairman: There were four supplementaries, as a matter of fact.

Ms. Caplan: But they were short.

Mr. Chairman: They were short, yes.

Ms. Bryden: They were well taken.

Anyway, what is the rate of commission and how is it calculated?

Mr. Morris: Concerning the commission we pay, distributors are compensated with three different amounts. First, they get a commission on the tickets they sell. They get, on average, about 2.5 per cent on Wintario, the Provincial and Super Loto, and they get one per cent on the Instant game.

They also are reimbursed for the paperwork in redeeming the small prizes that are redeemed at the store. The distributor has to take them back and process them back through the bank and into our system.

Then they are paid \$3 a week for each on-line terminal in their area, because they deliver supplies in the nature of bet slips, paper rolls and ribbons for the machines. They distribute those as they go around, but they do not get any commissions at all on the sale of the on-line games--those are Lottario and Lotto 6/49.

Ms. Bryden: Do they get commissions on the other interprovincial games?

Mr. Morris: Yes. They get 2.5 per cent on the Provincial and Super Loto games.

Ms. Bryden: Are the commission rates subject to approval by the minister?

Mr. Morris: No. The commission rates are set by the board.

Ms. Bryden: What is the average commission, or is that hard to-- Does that not tell us anything, because they could vary a lot?

Mr. Morris: The average commission would work out to somewhere around two per cent.

Ms. Bryden: Can you give a rough figure of the range of commission income and the total annual income of distributors?

Mr. Morris: The best I can give you is a sort of average that is spread across 47, because these are independent people. They all have different ways of operating. We have certain minimum guidelines, but some far exceed the minimum.

Last year the average distributor made about \$62,000. To put that in perspective, because rightly that sounds like a lot of money, we look at it as the equivalent of what we call a field sales supervisor. We have field supervisors who work out in the field supervising a number of our field reps who deal with the on-line games, because the distributors do not deal with the

on-line games. Field supervisors at our corporation make about \$42,000 a year. Then, of course, there is a fringe benefits package that accounts for about a third, with pension, holidays and all that, and there is a car, because they are on the road. That comes up to pretty close to that amount, and we view that as an offset.

A distributor, of course, has no job security. His contract can be terminated in 90 days. He has no pension plan with the corporation or anything of that nature. It is strictly commission. If he does not hustle the tickets, he does not make any money.

Ms. Bryden: No fringe benefits at all and no pension.

Mr. Morris: Right.

Ms. Bryden: I notice that the commissions went up between 1984-85 and 1985-86. The annual report showed it was \$50 million and has gone up to \$60 million. I did not bring my report back. I am not sure, but there was a pretty substantial increase in the last year, starting from 1984-85.

Mr. Morris: Commissions in 1985 rose by \$10 million--

Ms. Bryden: But then what about 1985-86?

Mr. Morris: --but that is both retail and the distributors. Of course, that represented the large increase in sales volume, primarily with Lotto 6/49 but also to a certain extent the Instant game. However, most of that increase was at the retail level.

14:20

Ms. Bryden: It was not necessarily an increase in commission rates?

Mr. Morris: No. The last commission increase we had was a minor one to give a little bit of an incentive commission.

Ms. Bryden: When was that?

Mr. Morris: A year and a half or a year ago, something like that. We put in an incentive of 0.25 per cent on the Instant. A few distributors benefit from that, but they have to sell a fair number.

Ms. Bryden: There was a story in the newspaper which was distributed to us that people who came to redeem small prizes were being asked for driver's licences and social insurance numbers, especially if the prize was more than \$50 or even \$25. Is that policy now?

Mr. Morris: A lottery ticket is like cash. There are two things we have to worry about. First, sometimes people lose their tickets or have them stolen. People are supposed to have their name and address on the back of the ticket when it is cashed. We were trying to get the retailers to do this so we could trace tickets if we had problems with theft or misrepresentations.

Second, occasionally we do get attempts at forgery. We have a situation at the moment, which is not a serious situation, but we do have a person carrying off some very successful forgeries for small amounts in the Toronto area. We are trying to catch that person. I do not want to leave the impression that this is a big problem--we are talking about \$50 to \$100 a

week--but it is a situation we will not tolerate. We will press it as hard as we can.

We feel if you go into a store to cash a cheque, they ask for identification, and a lottery ticket is just the same. We are trying to protect the players as well as ourselves.

Ms. Bryden: It is not necessarily a hard-and-fast policy, but you are encouraging the retailers to do it.

Mr. Morris: Until we catch the person we are trying to catch, we are trying to enforce it, to carry it out. We are close to being there. We have had close brushes. We know it is a female with blonde hair. I do not want to get you frightened, but we are coming close. We have identified and are now trying to track the person down.

Mr. Grande: I would like to return to the supplementary question that I was asking earlier on the capping of the prize money in Lotto 6/49. I was not able to follow it up because there was not the time to do that. You were suggesting in answer to my question that there is indeed, from a business point of view, no incentive from either the interprovincial or provincial corporations or the governments involved to cap the prize.

Mr. Morris: No financial incentive.

Mr. Grande: I understand you were telling us that this year there are about 3,500 of these terminals, that you hope to make it to 4,000 by the end of this year and to 5,000 by the end of the next fiscal year, which obviously means that you are intent on persuing your mandate of selling as many tickets as possible and, at times, in a very aggressive way.

The questions that were asked earlier had to do with social policy. If there is not the forum there with governments, yourselves or the Interprovincial Lottery Corp., who is going to be determining that social policy, in the sense of saying, "Is this good"? From a business point of view, it is good, it is great; but from a moral and social point of view, is it okay? Where are the brakes? Who provides the brakes?

Mr. Morris: The immediate brakes would be applied by the board of directors of the Interprovincial Lottery Corp. They are reflective of the various governments they represent. In response, I agree with you that there is not a financial incentive, in that with the big jackpots sales go up dramatically and profits follow right along.

However, you yourself have put the finger on it. It is a question of social responsibility. I think that social responsibility exists with the government of Ontario and with the board of directors of the Ontario Lottery Corp. and the staff, but right at this time we have not been successful in changing the rules of the ILC, because it has to be done by a majority vote.

I guess the answer in the long run is when the other board members of the ILC feel the same feelings or--I do not want to use the word pressures--when they detect what we currently detect from our players and from our members in the government of Ontario, they will perhaps take the same position that we have right now.

Mr. Grande: I understand that the lotteries are very successful. Obviously, you are doing your best to make them successful. When you had only

Wintario and then developed Lottario and went into the other games, you were trying, and the government was trying, different techniques to improve the sales of those tickets.

One of those techniques, away back, was the Half-Back program for Canadian-authored books or films, etc. You would buy a Wintario ticket for \$1. Then you could go buy a Canadian-authored book, and the ticket would be worth 50 cents. In other words, no one lost, everybody gained. That was a kind of promotion, that while we promoted the sale of tickets, we could at the same time say that those tickets were not useless to those people who bought them. At the same time, they provided some good in the sense of selling more Canadian-authored books. Of course, the book industry was very happy.

Now you have got into Lotto 6/49 and you do not need Wintario any longer, so Wintario is kind of going by the board.

14:30

Mr. Morris: Can I interrupt and protest that statement for a second?

Mr. Grande: Please do.

Mr. Morris: Wintario is a very important game in the pattern of our games. It is the original game, as you mentioned a few minutes ago. We do not sell as many Wintario tickets today as we did in its heyday, but if all goes well, and we are on course right at the moment, this year we should still sell \$120 million worth of Wintario tickets. That is pretty good after 11 years on the market. It is not just going by the board; it is a very important game. As you travel in this province and meet the people, you know that Wintario is a very important game to them.

Mr. Grande: The thing is that Wintario has another kind of connotation. There is a connotation for the people who receive grants as a result of these moneys that have been talked about as being dedicated to arts organizations, to recreation, etc. They talk about the Wintario grant. If you get rid of Wintario, I do not know what name they are going to give to the grants. It is of symbolic importance. The point is that a time came when Wintario was no longer a generator of funds and you then had to devise another game. Then Lottario was not a very important generator of funds so you went to the Instant. I am talking about the provincial games.

I was asking a question in terms of social policy. I understand it is not at all your function to do that; it is a function of government. As we know, governments always have a kind of eternal hunger for funds so there is no incentive for government to talk about that social policy and that social policy direction. Who does it? You are not going to get it from the players because they have been hooked, by hook or by crook, into thinking that by buying that ticket or those 10 or 50 tickets, they are going to hit it big.

There is no greater incentive we know of, psychologically speaking, for some person who does not win all the time, but has a chance of winning. That is where the incentive comes from, so you are not going to get pressure from the people who buy the tickets, and a considerable number of people do. You are not going to get pressure from the government to put on the brakes. You are not going to get pressure from the nine other provincial governments to put on the brakes. It is revenue. Where is it going to come from?

Mr. Morris: The answer to that is very simple, Mr. Grande.

Mr. Grande: Me?

Mr. Morris: It could well come from you. There are people in this country who disagree with lotteries. Some of the church organizations do. The United Church of Canada, for instance, has a very strong policy against lotteries. We hear from these various groups from time to time. I have been called upon on occasion to defend the operation of lotteries in a forum where there have been representatives of groups opposed to lotteries. They take a fairly vocal stand at times. I listen carefully to those people.

As to what I feel our job at the lottery is, normally if somebody says, "What is your job?" I say, "My job is to maximize lottery revenues for the government of Ontario in the long run." I am careful always to say "the long run," because if we do anything foolish that brings down a lot of anti-lottery people on the government and causes it to abandon lotteries, we could do a great deal of damage.

I do not know that I quite agree with you that governments are not concerned about the social and moral aspects of these things. I think they are. They may authorize us to operate them, but they watch us, and the minister to whom we answer receives a lot of letters from people across the province, some in favour, some not in favour. As a minister of the crown, he is sensitive to the issues.

Mr. Grande: Let me relate to you a little story that occurred last year. I was in a little corner store talking to the person who runs it, and another person came in and we started chatting. I must have been there for about half an hour, no more than that, and across the street at a restaurant there was a group of about 10 young people who were just sitting around having coffee. I do not know whether they were employed, unemployed or whatever, but it was the middle of the day, so one assumes they either had a day off or were unemployed.

Within that half hour, they were going in and out repeatedly. What were they buying? They were buying Instant tickets, the scratch ones. Within that half hour they probably spent between \$400 and \$500, and I am not exaggerating at all. It was a group of 10, so I guess they pooled their money.

Seeing that in a little store in that area, if that kind of thing goes on across the province, I do not know what kind of social atmosphere we are creating. It is frightening. Particularly if those young people were unemployed, one can begin to ask questions: Where does that money come from? What other use could it be put to?

The Instant seems to be hooking a lot of people in the sense that they know instantaneously whether they have won or lost. Instead of waiting for a week with a Wintario ticket to find out whether you have won or lost--and you may buy one or 10, but you still have to wait--with that one it is immediate. Obviously, your sales increase. It is fantastic. In terms of the profit orientation and what you can turn on to the general revenue fund, it is great; it is successful. But what are we doing to those people?

Mr. Morris: This is probably one of the most difficult areas of the whole lottery business. I accept what you say about what you observed, although I do not think it is a widespread practice. The research we have done, the personal experiences we have and the reports we get from our retailers across the province indicate that our player base is a wide one. If all our players played \$400 to \$500 worth of tickets every week, our sales would be staggering.

To put it into perspective, the current rate of sales is about \$1.2 billion per year, and that is a lot of money. It works out to about \$130 per capita in Ontario. There are other things people spend money on that are much higher--and I am not talking about essentials; I am talking about things such as alcohol, tobacco, movies or other things--but we do not see that there is a wide problem of overspending.

I acknowledged this morning that there is always the exception to the general rule. Quite often people will say to me, "By golly, this person buys \$100 or \$200 or \$300 worth a week, and that is so prevalent." If that were the case, the sales would be much higher. We have worked out that our average player spends less than \$5 a week.

Mr. Grande: Are you talking about all the lotteries?

Mr. Morris: I am talking total sales.

14:40

Mr. Grande: All right. Since I am obviously interested in the example I have brought forward of the Instant--

Mr. Shymko: Can I ask Mr. Grande if he will agree to one supplementary? I just have one question.

Mr. Grande: If you do not mind, I will finish what I was saying. Then you can go ahead.

In the area of the Instant, have you done any studies, marketing or otherwise, to determine who gets more attracted or who buys Instant tickets?

Mr. Morris: Yes.

Mr. Grande: You have. Is that the wide spectrum you are talking about? Or is it within certain age groups?

Mr. Morris: No. The Instant game is not particularly a game of youth. Generally speaking, people under 20 are not that keen about lotteries. Our bigger player group is in the 30-plus age range.

Mr. Grande: When you consider the number in terms of the population, the highest number is in the 30-to-45 age range, so it is logical that you would have more people in that group.

Mr. Morris: Even as a percentage of the number of players in that larger age group, people tend to spend a little more money on lotteries as they get older. I guess we do not do some of the things we did when we were younger. I do not really know the answer to that.

Mr. Grande: If it is in this report, I apologize. I have not read it carefully. If you have that kind of information in relation to the Instant, who your likely clients are, I would appreciate receiving that.

Mr. Morris: We can put together something for you from the various pieces of research we do. We have to know who the buyers are. Before we went into the Instant game--and we did not go in quickly; discussions went on for about three years before we actually went into the Instant game--we did a lot of research. The lottery business is worldwide, and we have connections with

people worldwide. I had discussions with people in charge of lotteries in such diverse places as Australia, the United Kingdom and the United States about the Instant game.

I remember a gentleman from Australia telling me there was a lot of opposition in his jurisdiction to the Instant game. They did a lot of research, and he said that one leading newspaper in Australia said everybody would stand there and just waste their pay cheque by scratching. He said, "Of course, our pre-game launch research showed this was not the case in other jurisdictions and our post-game research after we were in showed this was not the case." We looked at that very carefully in recommending to the government that we start this game. We have not determined a problem in that area, always putting in the caveat that there always has to be somebody out there who is the exception to the rule.

Mr. Grande: I would appreciate getting the Ontario results.

Mr. Morris: We will be glad to provide that information to you.

Mr. Grande: Mr. Shymko had a supplementary.

Mr. Shymko: With regard to the Instant, looking at the report which points out the figures for the increase from your annual report of 1984-85, Wintario has had a major decrease in profits from \$40 million to \$28 million from 1984 to 1985. We see a decrease as well in Lottario from \$74 million to \$66 million and a decrease in the Provincial lottery from \$60 million profits in 1984 to only \$15 million or more profit in 1985. Similarly, there was a decrease from \$15 million to \$12 million for the Super Loto.

The only two that have increased in a major way are the Lotto 6/49 from \$66 million to \$98 million, and second to that is the Instant, from \$2 million to \$26 million. If we look at the two games that have increased and look at the proportion, Lotto 6/49 has increased in terms of profits. It has not even doubled but there has been an increase. However, the Instant has increased by 13 times.

Mr. Morris: Yes, but I have to put a caution on that. The year with the \$2 million represented one month of operation; the next year was a full year.

Mr. Shymko: If 1984 had been an entire year of operation, what would the figure have been?

Mr. Morris: It would have been close to \$24 million.

Mr. Shymko: So that comparison is not fair.

Mr. Morris: No.

Mr. Shymko: That clarifies something for me.

Mr. Morris: The Instant game was started in the last month of fiscal year 1984. It started about March 1, 1984, and it took off very well at that point. Last year, for the year ending March 1986, I think our profits were in the magnitude of \$56 million for the Instant game.

Mr. Chairman: This was a supplementary. It is Mrs. Marland's turn now.

Mr. Grande: May I ask another question and then I will be through?

Mr. Shymko: I want to complete this by asking whether in your projections of the profits from the Instant game--I am sure you make projections for the next number of years--you see this surpassing Wintario. It is almost similar to the profits from Wintario. Do you see this surpassing Wintario and bringing in profits close to those of Lotto 6/49?

Mr. Morris: It will never get to the magnitude of Lotto 6/49.

Mr. Shymko: Will it surpass Wintario in profits?

Mr. Morris: It has.

Mr. Shymko: It has something to do with the instant nature, as Mr. Grande pointed out, and the attraction of that.

Mr. Morris: The game is attractive to people. They like it. You have to remember that Wintario is a game that is 11 years old. Think how many times in 11 years people have bought a ticket and lost. Eventually, they like to try something new and different. It is marvellous that Wintario has been able to last this long. We have tried to keep it fresh by relaunching it. In fact, we relaunched it in April of this year. We put in some of the prize money and created a bit of an Instant game. That was in direct response to the demands of the players in the research.

Mr. Shymko: It is still gimmicky in terms of attracting more customers.

Mr. Morris: It has increased our sales. Prior to the change--we use February as a base month to measure everything. At that time, we were selling about \$1.6 million to \$1.7 million a week in Lottario cash sales and we now are running about \$2.2 million a week, so it has had a pretty good percentage increase.

Mr. Shymko: It will continue to, I am sure.

Mr. Chairman: You are pushing me, Yuri. Mr. Grande.

Mr. Grande: He did push.

Mr. Chairman: He did push. He had four or five supplementaries.

Mr. Shymko: I have a very generous colleague on the other side.

Mr. Grande: I asked you last time in the estimates of the Ministry of Tourism and Recreation about plans for new games. Do you have or are you thinking about the development of new games? If you are thinking about the development of new games, to stop what has been described as the proliferation of these games, is there any discussion of dropping games that to your way of thinking are less profitable than others, even though they are profitable?

Mr. Morris: This question was raised as recently as last week at the Interprovincial Lottery Corp. board meeting in Edmonton because we are looking at freshening up the Provincial game. It has not been done for six years. Somebody raised the question that it is a \$5 game and we do not sell as much. However, in Ontario, we make about \$14 million to \$15 million a year profit. That is a lot of money. It is more profit than the average Ontario corporation

makes in all its operations, never mind just one product line. I guess the answer is that there is a certain element of the population which likes that type of game. They want it and they buy it every week. I think that will continue. We are always looking at new games, as we should be. Some day we will have to come forward with new ideas because something might decline.

14:50

We are not planning at this point on recommending to the board, to the minister, that we launch any new games. We think we have the market structure covered. I could quickly tell you the types of games that are still available if they were wanted. There is the daily numbers game, which is very popular on the east coast of the United States. There are the video lottery games that I know Mr. Sargent has questioned me about on occasion. I would find it hard to recommend a video lottery game, because I do not think they would be the commercial success that some of the other games would be and there is an awful lot of upfront money for building the machines.

Apart from that, there is the odd game such as a keno-type game that could be operated. We are looking at all of these. Some jurisdictions are trying them. Others have tried them and abandoned them. I think we have a good mix of products right now.

As I said this morning, and I mean it sincerely, this may sound strange coming from someone who sits in my chair, but there is more to life than just playing lottery games. We are not out to overdo it as much as some people may try to lead you to believe that we are. We have got a social conscience.

Mr. Grande: That is not your mandate to have a social conscience.

Mr. Morris: I think it is.

Mr. Grande: Your mandate is to sell the product.

Mr. Morris: I do not think anybody in Ontario would be appreciative if, through a lack of social conscience, we ruined the Ontario Lottery Corp. and its image of fairness, integrity and everything else. That could easily be done. This is a fragile type of business. It only exists because of the confidence and the goodwill of the people of Ontario.

Mr. Grande: If I understand you correctly then, what you are saying is it is difficult to get rid of old games that are still profitable but not as profitable as other games because there is a market out there of people who want to buy a Wintario ticket and are not interested in Lotto 6/49. We are thinking of new games all the time. In other words, would it be fair for me to say that over the years we will see a proliferation of games as opposed to reaching a maximum of three, or three provincial and three interprovincial, and that is that? Then the question is where or when does the saturation point come when people say, "I do not have any more money to spend on these things." Do you know that saturation point if you devise or study the saturation point?

Mr. Morris: No. This is a question that has often been asked. How deep is the well? I do not know because we have set new records every year. I would say that we look at new games not necessarily with the intention of starting new games. We may change one of the games we have now. I just mentioned that we put a scratch-off feature on to a Wintario game.

That is doing what a good commercial operation will do, namely, to keep

its product fresh and keep it in a position that the people who buy the product want it. I do not think we have to rush out and launch a lot of new games. I do not agree with that. When we freshen up the Provincial game, we may take ideas from other games that we have looked at, but it does not mean we are going to start a new game per se. It may be putting a new feature on an old game.

The lottery business is just like every other business. It is segmented. General Motors does not only make station wagons, because people want different types of cars. They want different price ranges of cars. Some want a Chevrolet and some want a Cadillac. The lottery business is uncertain.

I hear people say to me, "I do not play anything but Lotto 6/49." I also hear from people who say, "I would not play anything but Wintario." Just this week I had a fellow say to me: "I do not buy a lot of tickets, but when I do buy, the one I always buy is the Provincial. I do not know why. I just like that one." We have a wide spectrum. Mind you, we have some people who play two or three games. We try to satisfy what the customers want.

Mr. Grande: I am wondering whether we have something here in the Ontario Lottery Corp. that would almost reach the point of being uncontrolled.

Mr. Morris: I suggest the Ontario Lottery Corp. is one of the most tightly controlled operations in the province.

Mr. Grande: By being uncontrolled, I do not mean in terms of your accountability to your masters, because that could very well be there, but in terms of being socially controlled. That is what I am talking about.

Mrs. Marland: At the outset, I would like to congratulate Mr. Morris. I have enjoyed listening to your replies and responses this afternoon and this morning. I am tremendously impressed that you personally very obviously have a social conscience, but you also have it on behalf of the Ontario Lottery Corp. I agree very strongly that I see that as your mandate and the mandate of the corporation. I feel assured that you are fulfilling your position as president with empathy, with commitment and, most important, with your social conscience.

There have been quite a number of questions today directed at whether lotteries are a good or a bad thing. I am intrigued to find so much concern about it, because I could personally develop a far longer list of subject areas I think we should be more concerned about than lotteries with respect to our social conscience as legislative leaders in the province.

At the outset, so as to get a picture of what has happened in the 10-year history of the corporation, before we had our lotteries, I know we were all buying Irish hospital sweepstake tickets under the counter. The funny thing is that I have stopped buying them, but I do not buy very many lottery tickets. I think the intrigue of getting an Irish sweepstake ticket was the reason that, as long as I can remember, my mother would not miss the opportunity. Part of the intrigue was that it was not something that was advertised and was not legal, but one would not miss the opportunity. I wonder whether it was ever possible--I know not accurately--to know how much money went out of the province on Irish sweepstake tickets. It would be interesting to know whether you have any ball-park figures on that and whether we have taken over their market. Have they experienced a reduction as a result of our having our own legal game?

Mr. Morris: I can speak to that. I was not with the lottery corporation when it first started, but I have read the history, the research and so on. It was indicated that at least \$100 million a year was flowing out of the province.

To come to the question of the Irish sweepstake, today it is virtually gone in Ireland. The last major market the Irish sweepstake had was the state of California, which in the past year started its own lottery. That was pretty well the demise of the Irish sweepstake.

Mrs. Marland: That is interesting.

Mr. Morris: So that you understand, the Irish government has recently changed its legislation. It has now appointed the Irish post office to start a national lottery game in Ireland. It is going to start an instant game, a scratch-off game. I have been contacted by the gentleman who is going to be heading it for the Irish government. He had heard we had a very progressive system of prize redemption. He asked whether we would send him the details on how our prize redemption system on the Instant game works, and we did. They have a new national game going, but the old Irish sweepstakes is dead.

15:00

Mrs. Marland: That is really interesting. Obviously, once there was an alternative available in the province, that is what happened.

You mentioned this morning that the sales agents deposit their money twice a week. Are those sales agents free to short-term deposit that cash? Is their cash fluid so that they can put it in the bank and earn interest on it before they make their deposits?

Mr. Morris: The contract we have with the agents is that they must open a special bank account and they are not to make withdrawals from it. We automatically debit the account at least twice a week. I say "at least," but that is the norm. If we have a big jackpot run going and there is a lot of money in the system, we do it three times a week. That takes care of it.

We have been operating on-line games since November 1978. Since that time, if my memory serves me correctly, our total bad debt write-offs have been less than \$50,000, and we have not had a bad debt write-off since about 1981, because we changed the system to what we have here now and we just have not had a bad debt write-off, I am pleased to report.

You also have to understand that they also have to use the money they take in for redeeming prizes up to \$200, so that they are called upon to put that money back in. They may get an overnight rate for a day or so, but we are transferring it twice a week, sometimes three times a week, and that is a pretty rapid response.

Mrs. Marland: Could it be said that there is some benefit to them, that it is possible at a high-volume sales distribution centre that they could also gain interest on the money? That was the point of the question.

Mr. Morris: A little bit, but it would be minimal.

Mrs. Marland: Okay.

Mr. Morris: I must be honest. We have designed the system to cut down the lead time as much as possible so that they cannot operate on our money. The money belongs to the crown, and we get it in very quickly. Of course, on the other tickets they have to pay cash up front; they do not get them on credit.

Mrs. Marland: I am sorry Mr. Grande has left because I wanted to pursue the area he has spent a lot of time on today, his concern about addictive gambling and the thrust of whether we are going to have unlimited games organized by the lottery corporation. He obviously has a concern about that. After reading the comments you made at the outset of the committee sitting today, I would have more concern about people who overdrink, as an example, than about people who overspend on lottery tickets. I also feel very strongly that I am concerned about young people. Mr. Grande mentioned these young people sitting in a restaurant and running across and purchasing the Instant lottery ticket.

In terms of numbers, if you are talking about a concern with that kind of gambling by young people in the province, it is not only in Ontario or in Canada; it seems to be a worldwide phenomenon whereby young people--it does not matter what country in the world you go to today--sit in front of a Pacman video machine or a variety of that type of machine and pump thousands and thousands of dollars into those machines, albeit often in coin amounts. I have a far greater concern about that kind of addiction than I do about any evidence I see anywhere in the report of the Ontario Lottery Corp. of the involvement of young people.

When I look at your report as it pertains to the age groups, it is interesting to notice some things. First, I was amused that the big spenders of less than \$5 are female. Obviously, we are very frugal. When you get into the higher percentage of the less-than-\$5 groups, it is the 60-year-olds and up.

When I look at your report about who buys what, I do not have a concern because probably in general, not always, I see those percentages working out as a reflection of the free cash flow the people in those age groups have to spend. It is their choice whether they spend it on cigarettes, alcoholic beverages, the theatre or whatever else. The question of who is buying the lottery tickets would beg a very interesting report versus the people who are doing other things for entertainment, which is again their choice.

The corporation is to be commended because you are very careful about how you do the advertising and you do not advertise by showing the big winners all the time. I do not agree with the person who said earlier today that people buy those tickets because they have this feeling that they are going to be the big winner. They buy the ticket knowing that it is a gamble and that they have a chance of being a big winner.

When I look at the average investment of people who play the lottery games, my goodness, it has to be far less than the average investment of people who sit down at bingo. If you talk to people who play bingo five nights a week, \$20 is not an average that is spent; for most of them, they sit down at a bingo table and spend a minimum of \$20 a night. People go to bingo games as a matter of choice, and thank goodness we live in a country where people can choose their entertainment. I do not see people running around concerned about social conscience and outlawing bingo games because people spend more than \$100 a week on them. That is their choice; they work it out and over the long run they have some winnings.

The main point is that I do not want to live in Russia. I want to live in Ontario, where people have a free choice to participate in something that is well organized, well policed and well run. From the way the Ontario Lottery Corp. is managed at this time, as someone who, as I say, hardly ever buys lottery tickets and then forgets to look them up, I recognize that they are a chosen entertainment and that we should leave it to the people to choose.

I have a concern about the capping issue in regard to the interprovincial lotteries. I recognize from what you have said that you have the same concern. I wonder, Mr. Morris, whether in the Ontario Lottery Corporation Act, since we are going to have it up for grabs, as it were, under the title of Bill 38, one aspect we might discuss at that time is a change to subsection 7(b), where we would add that interprovincial lotteries can be established, but that there has to be unanimous agreement on the ground rules for interprovincial lotteries.

I hear you feel there should be a cap. We are not going to waste time discussing the amount; it does not matter. Perhaps \$5 million is the right amount. If there are five people on the interprovincial board or the body that makes the decisions, in my opinion any aspect that is not totally agreed to by all those people should not be an aspect of that lottery. Since we are the largest population on a per capita basis, you are not asking for more of a vote but your equal vote should be recognized.

15:10

Mr. Morris: I should explain how the votes of the Interprovincial Lottery Corp. work. There are five lottery jurisdictions across Canada and they are of different sizes. We have a percentage voting system. For instance, when Ontario casts its vote, it carries 36.5 per cent of the votes. If my memory serves me correctly, Quebec has 25 per cent and it goes down until you get to the Atlantic provinces. The rule is that you must have three jurisdictions representing 50 per cent to carry something.

At one time, we had what you suggested, a veto, and it did not work. The unfortunate thing with vetoes is that they can be used against you as well as be used by you. We were finding that things that made an awful lot of sense for us in Ontario or for Quebec or some other jurisdiction were being vetoed by one small jurisdiction; it did not work. Subsequently to that, we worked out the percentage formula and it works well now. The fact that we cannot get our own way at this time does not mean the system does not work well; it does. I strongly caution against--

Mrs. Marland: Changing it.

Mr. Morris: --a unanimous verdict. We lived with that for several years and it was a nightmare. Nothing got done.

Mrs. Marland: Do you see any solution to get your other 15 per cent?

Mr. Morris: We will just keep working away. Sooner or later, I am sure two other jurisdictions will see the light of day and come to our way of thinking. It might not be in the near future, but we will keep bringing it up and will do the best we can. I do not think we can impose our will on everybody else.

Now that Lotto 6/49 is operating, there is one clear choice for us: If we do not like the way the others want to do it, we can leave the game.

Because the game is going now, they do not need us as much as they used to when it was starting. The game is developed. However, we would be the bigger losers. If we were to announce to players in Ontario that we were out of Lotto 6/49, we would have a real problem on our hands with our players.

We will get there some day. It is a case of keeping talking about it. As members of the House, you know better than I that sometimes it takes a while to get changes made. We are dealing with the opinions of various parts of the country. In this great country of ours, various parts of the country see things differently. For instance, there has never been a huge jackpot won in the Atlantic region; they sit down there wondering what we are even talking about.

Mrs. Marland: I am sure.

Mr. Morris: They say, "We have never had a problem." They have never had a big prize.

Mrs. Marland: I recognize that the direction in which you have moved in a lot of areas is very logical in the development of lotteries. It was suggested this morning--in fact, this afternoon--that the Instant lottery is a problem or could be a greater problem because of its purer design. I could not help but think that we are surrounded by instant competition of that type all the time, whether it is a Coke bottle cap or when we buy our gasoline. Different forms of instant lotteries come into our hands two or three times a day even without our necessarily going out and making a purchase.

In your comments this morning, you said we in Ontario have developed a larger player base than any other province and our players spend less per player than most of the other jurisdictions. Do you have that statement worked out in a per capita comparison?

Mr. Morris: We have what flowed from a piece of research done last year by the Interprovincial Lottery Corp., measuring lottery playing across Canada. If I remember the numbers correctly, it showed that in Ontario 57 or 58 per cent of the population played a lottery game on a regular basis. I think the definition of "regular" was once in the past two months. Then another part of that study showed the per player spending amounts. In Ontario our players spent less, but we had more players. We have always felt that is exactly what we want. We do not want a narrow player base with a few people spending a lot of money. We view that as less socially desirable than the way we have it.

Mrs. Marland: I appreciate that. When it read that we had a larger player base, I thought that if it was relative to our larger population, it could be misinterpreted.

Mr. Morris: When you talk of the differences, you may be talking about a range where we are saying 57 or 58 per cent. The bottom end of the scale might have been around 45 to 50 per cent. The general thing we must all acknowledge and recognize is that across Canada and in those states in the United States that have lotteries, they are fairly widely accepted by most of the population.

Mrs. Marland: I want to get to this article that was in the Toronto Star in October 1985, which I had not read until today. In your comments, you addressed in very great detail how distributorships are given. This article suggests to the public that distributorships had not previously been

advertised, and unless there has been an article since then, it is a very negative article against our lottery corporation. You have explained here that they were not advertised because there were always enough applications on file.

I would like to ask you whether there was a problem before. This article suggests that these distributorships were given to relatives and friends of Conservative MPPs. There is even a suggestion that one was given to a Mr. Shankman, a former business associate of yours. In my opinion, it is just a pretty low-hitting, typical Toronto Star article. I am not asking your opinion on that, but I would like you to give a rebuttal to something that is, in my opinion, a shoddy attack on the Ontario Lottery Corp.

I recognize that 51 per cent of the Ontario Lottery Corp.'s income goes back to the people who invest in it and that 30 per cent of it goes to a whole lot of other people who may never have invested in a single ticket but benefit or have benefited very much in programs and facilities across this province. If anyone looked at the Ontario Lottery Corp., one could see only that it has been a tremendous benefit to this province. It has meant we have not had \$100 million going out to Ireland, to the hospitals. It is a matter of choice whether or not that was a good cause, but the point is that for the past 10 years the people in Ontario have benefited from this corporation, and I do not like to see something such as this standing as a statement.

15:20

Mr. Morris: That article was very disturbing to all of us at the corporation. I have no hesitation in talking about it. Over the years I think we have tried our best to get good people in as distributors, because to us it does not matter what political party a person may support. If he does not sell tickets, he is not of much use to us as a distributor. I have never discussed anyone's politics with him as a distributor.

My former president, for whom I worked for nine years, is a distributor. He retired from that job and he applied. At the time he decided he wanted to apply, he phoned me. I told him there was nothing I could do to help him--not that he was looking for that; he just wanted to know what he had to do to make application. I put it on the table very quickly that there was nothing I could do to help him. He applied in the normal course, and he had a very strong background.

I sit on the committee of the board that looks at distributors and interviews them. When he came up for interview, I immediately declared to my colleagues on that committee that there had been an association and therefore I did not want to participate in the hearing, and I did not. However, at the time they were looking we had terminated four distributors and were looking for more than just one. He was one of the ones that the committee recommended to the full board. When the matter came to the full board, once again I told them of the past situation and refrained, and they acknowledged that I did this.

You have to say, does this eliminate anybody who has ever known me or ever worked with me anywhere from applying? I would not like to think it did. I do not think knowing me should be that much of a curse. The board--and the board members have changed over the 11 years--has always tried to pick the best people.

I found out in that article a couple of things I did not know about. If it is the one I am thinking about, it mentioned that one of our distributors

was a riding president. I had absolutely no idea he was. On the other hand, through an accident in overhearing a conversation between two people one day, I found out we have distributors from all three political parties; they represent all three. The board members have never asked about political affiliation, and I do not think it should be that way. In the appointments that have been made since the government changed, there has been no pressure or anything. I think the people we have out there have earned it.

I see by this article that one fellow, Roger Fletcher, is a brother-in-law of Mr. Grossman. Roger Fletcher worked for our company for 10 years. On six or seven occasions, when we had distributorships that we had to operate temporarily while the board appointed somebody, we sent him out. If anything, Mr. Fletcher's relationship was a hindrance to him, because everybody was very sensitive to the fact that his brother-in-law was involved in the government of Ontario at the time. Again, it seems a shame that a man's career is going to be adversely affected because of his brother-in-law.

We have always looked for the best people. One of the members of our board of directors used to be with General Motors. He read this article and he was very concerned about it, but he said, "In my days with General Motors, the employees of General Motors were always given a higher chance of getting a dealership, because they were involved in the business and they knew the business."

It is a very sensitive subject. We have what I think is one of the best distribution systems in the lottery industry. It works well for us. It is very efficient. We cover a huge geographical territory, and it has worked well for us. We are very sensitive to these issues, and I had absolutely no problem when the minister suggested to us in one of his first dealings with the corporation that we should advertise. I embraced his feeling. We advertise, and we have absolutely no problem with it.

Mrs. Marland: I appreciate your response to the question, because I wanted the opportunity to have the article addressed. As I said, I found it very negative towards a corporation from which we all benefit. I find there is some irony in those kinds of attacks, because I am sure there are people who will now be levelling the same kinds of comments at the present provincial government, saying the same kinds of things, that your corporation is now awarding distributorships to well-known Liberals. It is a lot of nonsense, but to the person on the street who does not know it is nonsense, it is important to have your statement made. The reason it is nonsense is that when I see the people who have the distributorships, I would bet that 90 per cent of them do not have involvement in any political party. It is good to have that out.

Unfortunately, my final question has to get back to Bill 38. I do not want to ask you anything in terms of the pros and cons of Bill 38, but my question obviously stems from that. From your experience with lotteries and lottery corporations besides our own--and I know you started to address this in response to an earlier question just before we broke at noon--if people are spending whatever amount they decide to spend on a lottery ticket and do not win, could it be that they relate it to buying raffle tickets, as millions of people do for thousands of causes? They do not win but they always write it off with, "At least I have helped out such and such." Do you think that in promoting the sale of lottery tickets under the jurisdiction of the Ontario Lottery Corp., it would be helpful to define--not that you are doing this currently in your advertising that I am aware of--the cause to which the money goes?

There is no question that health care funding has to be addressed in this province, whether we are talking about capital funding for hospitals or funding for major procedures to do with health care in terms of hospital services and equipment. When a local hospital is being built, we all get involved in the personal fund-raising drives. We go to all kinds of functions to raise money for the local hospital. Whether it is a car or whatever, we do not win, but the money goes to the hospital. Because Wintario is as old as it is, most people know they are supporting cultural and recreational activities in the province.

Is that something you feel is an advantage in selling lottery tickets, that people know what the cause is for which their money will be used if they do not win?

Mr. Morris: I would first like to say that in no way do I want to be seen to be commenting on which cause the funding should go to. That is strictly a matter of government policy.

15:30

Mrs. Marland: Right.

Mr. Morris: Research has shown there is no doubt that people feel more kindly disposed towards the lottery process if they know where the money is going. We belong to an association in Canada and the United States called the National Association of State and Provincial Lotteries. The number of members now is about 30 and they represent just about every type and way of handling lottery revenue.

For example, In Quebec all lottery funds go into general revenue and that is the end of it. That lottery money could end up in the highway department or in the hospitals or wherever. In New York state they use it to fund education. In Pennsylvania they use it to fund senior citizens. Their lottery has been so successful that I think they have moved the legal age of a senior citizen down to somewhere between 50 and 55. Since they generate so much money, and by state law it can only be used to help senior citizens, they have had to keep lowering the age for grant recipients.

I just received a letter the other day from Switzerland. They had received a copy of our annual report. The gentleman noticed we were using it for culture and recreation and he acknowledged that, "We do that in our jurisdiction." There is a wide spectrum, but generally the feeling is that if you can say what the cause is--it does not necessarily have to be one cause--the players feel more kindly disposed towards the lottery in general. As I say, I make no comment about where the money should go.

Mrs. Marland: No.

Mr. Morris: That is a matter of government policy. As the professional operator of the lottery for the government, it would make my job easier if we could say to people, "This is where the money has gone." We have never had any input into where the money has gone, nor should we. We have all we can do to handle the sale and design of the lottery games. I do not know whether we have the wisdom and sensitivity to know where the money should go.

However, if we could tell the people where the money is going, I think they would like it. From my observations over years of reading just about every article on lotteries that appears in Ontario newspapers and magazines

and so on, the job is not easy because there are as many ideas of where the money should go as there are people. I guess it is the same for tax dollars. Everybody has a great idea of where the tax dollars should go.

Mrs. Marland: In general, the psyche of the person who buys the lottery ticket might be helped--if he does not win, he knows it has gone to a cause of which they are apprised. Is that what you are saying?

Mr. Morris: They like to know where it is.

Mrs. Marland: I appreciate that.

Mr. Chairman: Mrs. Marland, I have two more speakers on the list. Are you nearly finished?

Mrs. Marland: Considering I have not taken as much time as the previous speakers today, I am certainly--

Mr. Chairman: I consider 40 minutes out of the total of 120 that we have in two meetings today to be pretty good.

Mrs. Marland: Actually, it is not that time, Mr. Chairman.

Mr. Chairman: I am asking in all fairness. I have two speakers left before 4 o'clock.

Mrs. Marland: I think in all fairness, Mr. Chairman, that if we are going to start allocating time, I am going to keep a very accurate record of previous speakers, including supplementaries.

I am almost finished, as a matter of fact. I am concerned about the outcome of Bill 38, which has received first reading, in terms of the future of the Ontario Lottery Corp. I know that when people buy tickets they do so for their own cause, but subsequently there is also a spinoff in some areas where they might know what that other cause might be. When we change the Ontario Lottery Corporation Act, I cannot see that we are going to have any security about where the money will go unless the government is going to be very specific. In the cabinet sweepstakes around the cabinet table, we are going to find that some causes will rate very highly with a very strong lobby, and some other causes, which perhaps have been supported very well in the past through the Ontario Lottery Corp., will no longer be beneficiaries because they will not be able to compete.

Mr. Morris, I thank you on behalf of the people for whom I am responsible, at least in Mississauga South, for the commitment you bring to the position of president of the Ontario Lottery Corp. I do not envy you your job. I believe it is very difficult because of the areas that have been discussed today and because of the responsibility about what goes too far and what is competition in a fair market. At this time, the sale of lottery tickets in Ontario is not a problem because of the way the leadership that the corporation has been given has conducted the sale and promotion of lottery tickets in Ontario. I see it as a very worthwhile source of revenue for the people in the province to benefit from. I appreciate that, in itself, it is job creating.

Mr. Chairman: Are you finished, Mrs. Marland?

Mrs. Marland: Yes.

Ms. Caplan: I will begin by addressing Bill 38. I do not have a specific question, except for one. Do you agree with the statement that lottery revenues in Ontario during the past number of years have grown beyond what was originally anticipated when the lotteries first began?

Mr. Morris: I can answer that without any hesitation, Ms. Caplan. I can remember sitting in a meeting one time in the late 1960s or early 1970s when there was a discussion about lotteries in Ontario: Should we have them or should we not? There was a group suggesting we should. They said, "We have done a detailed study and we feel that, when everything is fully developed and going, \$50 million a year could be available for sports and recreation in this province." Everybody sat and laughed at them and said, "Where did you ever get the idea that you could raise that much money?" The answer is very simple. The money that rolls in today is far more than was ever anticipated originally.

Ms. Caplan: That answer will help to address what I am sorry has become a focus for this committee, because I think it is inappropriate for you to address Bill 38. I want to make a couple of comments on that since my colleagues have taken the liberty of making their comments. I would like to point out to you, perhaps to give you some assurance so that you will be able to assure people buying tickets, that the Treasurer (Mr. Nixon), when he addressed this matter in his budget, stated that recreation, fitness and culture would remain a priority for this government. They have a very strong advocate at the cabinet table in the two ministers responsible.

The record of this new government speaks very strongly to that commitment, as does the fact that the previous administration froze the budgets in 1983 and those grants were reinstated by this new government. As well, even after Bill 38 was introduced, the government increased the budgets for the Wintario recreation development program and tripled the capital recreation conservation program from something like \$3.4 million to almost \$10 million. I believe that speaks to the commitment.

Mrs. Marland referred to the psyche and the understanding that people have, and have had in the past, when they buy tickets as to where their money is going. I say this with concern: I would not want anyone's psyche to be damaged, but you might be interested to know that the people of Ontario have been deceived, as you must have been, if you did not know that all of those funds were in fact not going to recreational and cultural programs in the past. In fact, Bill 38 reflects what has been the practice in the past.

15:40

When we assumed government, some members of our caucus assumed there was a pot of money out there waiting to be spent for cultural and recreational pursuits, and frankly, we could not wait to get our hands on it. What we found was that all the moneys go into the consolidated revenue fund, and have done so in the past, and that at allocation time the money is allocated to the different ministries for those items. I am sorry we have gotten into this debate today, because I believe it belongs in the House.

I would like to spend some time on some questions on accountability, which was raised in the context of Bill 38 and which I feel is what we are here today to do. I hope this committee will look at those issues.

I do want to make those comments about Bill 38. It reflects the practice of the past, when all the money did not go to the areas to which it was supposedly designated. It has been going to the consolidated revenue fund for

some time. I am sorry to hear my colleagues suggest that there are no good causes other than the Ministry of Citizenship and Culture in need of these kinds of windfall revenues.

Mrs. Marland: That was not the suggestion.

Ms. Caplan: Mr. Leluk was concerned about what the good causes might be.

Mr. Leluk: Mr. Chairman, I did not suggest that there were no other good causes.

Ms. Caplan: It would seem to me that--

Mr. Chairman: Can we get back on course? The course is an examination of the Ontario Lottery Corp.

Ms. Caplan: Yes, it is.

Mr. Chairman: This is not to be a political debate. I ask you to get back on the subject.

Ms. Caplan: All right. The subject is accountability, and it was mentioned.

Mr. Chairman: The accountability of the Ontario Lottery Corp., not of the Liberal Party of Canada.

Ms. Caplan: It was the accountability of the process and where the money is spent. The point was made by three of your colleagues, so I ask for some liberty to address the issue of the accountability for those dollars.

Mr. Chairman: I ask you to address the subject at hand, please.

Ms. Caplan: I would say that there are many opportunities for the accountability issue and also for the priority-setting and the good causes to be addressed, and that is through the estimates process, when the minister is here as well as the representatives from this agency. Like other agencies, boards and commissions, it comes forward to see where the money is being spent and whether it addresses the many good causes, not only culture and recreation, for which there is strong support from this government, but also issues such as the environment and health care, which rank equally today with the severe underfunding of the recreational facilities that existed when the Ontario Lottery Corp. was first brought in.

On the issues of accountability that I would like this committee to address today--and I will give you a chance to think about them--I would like you to address some of the changes that have occurred in the past year in your manual of administration, which is your memorandum of understanding, concerning how you do things differently today than you did one or two or three years ago.

The questions I have relate to the report that was tabled by Don Gracey, a comprehensive report that expressed serious concerns about the accountability of agencies, boards and commissions generally. I do not want you to feel for one moment that I am picking on the Ontario Lottery Corp., but this is the place where those issues should be addressed.

I know that audits are done on a regular basis, and I want to know whether in the past the Manual of Administration, your memorandum of understanding, was followed and adhered to at all times, to the letter of that memorandum.

Mr. Morris: The memorandum of understanding we operate under today is the same one we operated under prior to the change of government last year.

Most of the changes are minor rather than major. For instance, the organizational chart of the ministry showed the Ontario Lottery Corp. answering to the minister rather than to the deputies and through the civil service, and previous ministers wanted that followed literally. They received everything into the minister's office.

Ms. Caplan: Did you report directly to the minister's office?

Mr. Morris: We reported directly to the minister. Since last year we have done more reporting through the deputy on behalf of the minister. That is not a problem to us. We have done this and we have complied with everything that has been requested of us. Certainly, there have been no onerous or unreasonable demands put upon us.

One of the things that is different is the fact that in the past, when it came to a thing such as advertising contracts, our board used to be the ultimate body that approved the advertising contract. Today we have the Advertising Review Board. It is interesting that some of the processes the Advertising Review Board uses in searching out and screening the various candidates are procedures that we developed at the Ontario Lottery Corp., because advertising is an important thing to us. It is absolutely essential that we get the best agencies and that they perform, because we are in the business of selling.

Ms. Caplan: Do you participate on the Advertising Review Board?

Mr. Morris: I do indeed. In that sense, a fundamental change has taken place because now basically we have five members on the ARB: the chairman, an outside representative, a member from Management Board of Cabinet, myself and the vice-president, marketing, from the lottery corporation. We have been through only one contract negotiation since those rules came in. A member of our board of directors sat in on the final review to give the board some feeling and sense of being a participant in the process. It has worked well.

Ms. Caplan: In the past, in being directly responsible to the minister, there was a requirement for regular meetings with the minister?

Mr. Morris: Yes.

Ms. Caplan: Did those take place?

Mr. Morris: With the previous minister?

Ms. Caplan: With the previous ministers as they were required?

Mr. Morris: We have always had a close working relationship with the minister. We went through a period when there were a lot of things that we had to work on with the minister; for instance, the negotiations with the federal government on their vacating the lottery industry and the startup of Lotto

6/49. They necessitated more frequent meetings than the quarterly meetings anticipated in the memorandum of understanding.

Ms. Caplan: The issue that I am addressing is the one of accountability that was raised. In the past your accountability was directly to the minister under the memorandum of understanding. You are now accountable to the deputy and through the deputy to the minister.

Mr. Morris: No. We still formally answer to the minister. It is just that the ministry uses the deputy and his staff to review the information that we are sending over to him more.

Ms. Caplan: As far as administrative practices, would you say they are now more in line with the operations of the ministry?

Mr. Morris: No. We follow--and this is what we are required to do--where practical, the Manual of Administration. We do that. The manual was written for a government operation. We are a business operation. The fact that we are a schedule 2 operation reflects that. We as a corporation feel very strongly that we should, wherever possible, abide by the intent of the manual, and we only deviate from it if there is a real entrepreneurial reason for having to deviate. It is very rarely that we do.

Ms. Caplan: And your hiring practices?

Mr. Morris: I think we conform to the hiring practices. While we are not civil servants, we try to follow as closely as possible the hiring intent of the civil service guidelines. I can assure the members of this committee that we are very conscious of hiring all types of people on the basis of merit and not on the basis of race, religion, creed or sex.

We have tried very hard to give in our senior management representation to the female side of life. Mrs. Petrik is a classic example. She is an able executive and came up through the ranks of the corporation. I am in a way sorry to have to tell you that we have five vice-presidents, four male and one female. That has been a historical thing. They all have long service, but we have coming up behind them a strong bank of middle-management people who are female. As for things like racial representation, at one point we had 26 different languages covered in the lottery corporation.

14:50

Mrs. Caplan: The Gracey report was critical of the general accountability of agencies, boards and commissions and the fact they were too autonomous or the accountability was directly to the minister and there was not enough direction given through the senior bureaucracy. Can you respond to that? I know you met with Mr. Gracey.

Mr. Morris: The Gracey commission did not come and visit with us and do a detailed study on the lottery corporation. We have developed a good format. We work to a prepared annual profit plan. When it is approved by the board, it goes over to the minister and is monitored every month by the board and quarterly by the minister. Now it is the minister's staff, deputy staff, who monitor. I am sure the minister's staff does too. We try to provide them with full information. We have a series of audits. The annual audit is carried out by the Provincial Auditor. We have our own internal auditors who are constantly monitoring what is going on under an audit program and they report directly to a subcommittee of the board of directors.

Mrs. Caplan: Do you have external audits that are not done by the Provincial Auditor?

Mr. Morris: We have Clarkson Gordon who were awarded a contract on the basis of competition to do a security audit on the data centre. This is a very highly specialized type of auditing. We looked at the possibility of having it done in-house as part of our internal audit. We felt, with the way technology is changing today, that if you hired somebody and brought him in-house he would be out of date immediately. It was felt by the board, and I certainly concurred, that it would be better to have an outside national firm with all the resources at their disposal in the way of training, etc. to keep their people up to date. They do an annual security audit.

Mrs. Caplan: What is the cycle of your internal audit?

Mr. Morris: They are working on it. It is like the Forth Bridge. They are painting it all the time. They are just going round and round. They have an audit chart they work on, in consultation with the audit committee of the board, and they are looking at the whole operation on a cycle basis.

Mrs. Caplan: I am just curious as to how long a cycle is.

Mr. Morris: It is one of those things. There are some things that get looked at quite often and other things that only perhaps get looked at once every two or three years, depending on their importance to the corporation.

Mrs. Caplan: The last question I have relates to the estimate process. During estimates, you are with the minister to answer any specific questions as to the operations. You are saying in the past there have not been--

Mr. Morris: This past year was the first year we have been asked questions. Mr. Grande asked questions this year when we were in estimates, if I remember correctly.

Mr. Grande: A few.

Mrs. Caplan: Are there any other changes that you can address in the operation that you have done to perhaps tighten up the internal practices or the administrative accountability?

Mr. Morris: We are working constantly at improving security and tightening up. It is something you never finish. I had a discussion with a partner from Clarkson Gordon on the security audit because I am an ex-auditor, many years ago. We were talking about this whole concept of internal control, and you are never through with it.

I can remember when I worked with a previous employer. I was there nine years, and every year we got a letter from the auditor saying, "You should tighten all this up." I can tell you, every year we faithfully did it, but the next year there was always something else.

It is the same way with the security audit on the data centre. We take that report very seriously. As soon as it is tabled, our staff go through it. We have to prepare a formal response concerning what we are going to do about it and file it with the audit subcommittee of the board. There is a meeting of the audit committee and the people from Clarkson about it. Clarkson monitor

the following year what we have and have not done on what they have proposed. Then they look at it again and say, "Now we think you should do this and this." They are never through.

Ms. Caplan: The question I have about your internal audit is, do you have an upgrading and training program for your internal auditors?

Mr. Morris: Yes. Our staff are taking courses and they are working their way up all the time. The manager of our internal audit department is a chartered accountant.

Ms. Caplan: What is the size of your internal audit group?

Mr. Morris: We have four internal members in the internal audit group.

Ms. Caplan: My last question relates to something I mentioned at the beginning. I will be one more minute, Mr. Chairman. I think the statements you made are appropriate regarding the policies of the government not only on where the money goes but also on the types of lotteries and so forth, because you are set up under a specific act and you respond to that.

Have you now or in the past ever had consultation with the minister regarding either the types of lotteries you propose or the way the money is spent? Has that ever been part of your mandate?

Mr. Morris: I have never had discussions on how the money is spent. Our involvement stops when we sign the cheque and send the money in; that is it.

Ms. Caplan: Where have you always sent the money?

Mr. Morris: It gets divided. We send a cheque for each game. Then you get involved in the stuff under section 9 of the act and the other interprovincial games. Some of it goes through the minister's office, but he gets a copy of everything. Some goes through him to Treasury and other moneys go straight to Treasury.

Ms. Caplan: I see.

Mr. Grande: I am sorry, I do not understand that process. I always thought the money went to the general revenue fund, period.

Mr. Morris: I have to confess that I do not know where it goes when it gets to Treasury, because our involvement stops when we have paid the money. Maybe you can help on this. I sign the cheques every month, but I know that some cheques go straight to Treasury, with a copy of the letter to the minister, and others go through the minister. These are practices that were set up before my time. I have just continued them.

Ms. Caplan: Those practices have not changed.

The last question I have is whether in the past you ever looked to see whether all the money that was designated, or moneys that were generated that were designated for recreation purposes, whether you ever had any comments in the past on the fact that they were not used for recreation and culture purposes.

Mr. Morris: I have never had any comments on that.

Ms. Caplan: You left the policy totally to the government.

Mr. Morris: It is just not our area of the operation. Mind you, a lot of people write to us asking, "Can we get a Wintario grant?" Just by the very name they think we do, but we usually refer it to the ministry that should be involved or we send it back to the person telling him how to start the process going properly.

Ms. Caplan: The sum total of your involvement is to notify people of where it should go.

Mr. Morris: Yes. However, we cannot start a game unless we go through the process, through the minister. A new game per se goes to cabinet. A minor change on the game we clear with the minister.

Ms. Caplan: Thank you very much. You have been very helpful.

Mr. Chairman: Mr. Sargent, do you have a short question?

Mr. Sargent: I think we should change the rules here.

Mr. Chairman: Probably we will tomorrow, but--

16:00

Mr. Sargent: We sit here all day and have two people speak; it is not right. We should have short questions and get on with it instead of making these long speeches or what the hell goes on.

I think we have had a great track record in the lottery. There is an old saying, "If it ain't broke, don't fix it." I think we should give you a commendation here.

There are a couple of mechanical questions I would like to ask you. Are you using one bank all the time, the Royal Bank of Canada?

Mr. Morris: Our banking comes up for proposals from other banks every three years. Last year was one of the years in which it was reviewed and we asked for proposals from the various banks.

Ours is a very tough requirement. We used to be with the Canadian Imperial Bank of Commerce and, believe it or not, it did not want the business any more. It is a tough job handling all the tickets. When you think that in an average week, going through Ontario, there will be something like four million Wintario tickets, somewhere in the neighbourhood of two million Instant game tickets, half a million Provincial tickets and I do not know how many Super Loto tickets, those quantities are huge. A bank has to be big enough to safeguard them. It has to have the facilities.

Mr. Sargent: In other words, the Province of Ontario Savings Office could not handle it.

Mr. Morris: No. It does not have branches all over the province.

Mr. Sargent: Let us put them there. I am fed up with the banks having access to all this money.

Mr. Morris: It has worked out to be an economical way for us to distribute the tickets.

Mr. Sargent: So that is a must.

Mr. Morris: We put it out for bids. As I say, we divide the contract into two parts.

Mr. Sargent: You have kicked it around. You know the answer.

Mr. Morris: One is the corporate banking and the ticket distribution. If we did not tie those two together, nobody would ever take on the job of distributing the tickets for us. The other side is the electronic transfer of funds on the on-line games, Lottario and Lotto 6/49. That changed last year. It used to be with the Bank of Montreal and it changed to the Toronto Dominion Bank because it gave us a better deal.

Mr. Sargent: Perhaps this question was asked before. Are United States agents allowed to broker our tickets?

Mr. Morris: No.

Mr. Sargent: What happened in the United States last fall then?

Mr. Morris: I am sure you are aware the minister has legislation in the House, which will be dealt with when the House comes back, to outlaw the operation of a business selling Ontario lottery tickets outside Ontario.

Mr. Sargent: Do you plan to market them in a more ethical way? You give us a bad image down there.

Mr. Morris: The general feeling around the world is that no jurisdiction likes another jurisdiction selling its lottery tickets. Let us face it; in most areas of the world, lottery ticket revenues are the equivalent of tax dollars. They are government revenues. The state of Michigan does not really want our people selling lottery tickets there any more than we want them selling their tickets here.

When that sort of thing starts happening on a wholesale basis, as it was here, you lose control. We are talking about millions of dollars. This is one area I am personally pleased about, and I say to all of you today, when this comes before the House, I hope you will support the bill. We are dealing with a fragile thing, people's opinion and goodwill. There is a lot of money at stake. If the whole process is brought into disrepute by people who are only in it for their own fast buck, who do not care about the wellbeing of the Ontario Lottery Corp. or whether the money is available to the government, but all they want is what they will make themselves, and some of the practices are very questionable, if you stop and think about what could happen, it is frightening.

Mr. Sargent: One distributor's wife won about five prizes and a couple of cars.

Mr. Morris: She was redeeming prizes and so on. It sets in the rot to destroy a system we have worked hard for years to establish as being full of integrity. It is the start of the rot to crumble it.

Mr. Sargent: You have given the feds \$234 million in the past. You

have given them \$70 million a year. Is that by agreement?

Mr. Morris: We do not give them \$70 million. There are two agreements between the federal government and the provinces. One was made in 1979. Under that agreement, the provinces agreed to pay the federal government \$24 million a year collectively, indexed to inflation. That \$24-million payment today is in the neighbourhood of \$35 million. Our share of that is 36.5 per cent.

Last year an additional agreement was made whereby the federal government amended the Criminal Code and got itself right out of the lottery business in exchange for an additional payment of \$100 million, which would be paid over three years. That is \$33 million a year over three years. We are in the second year now. We have a payment to make in December and then December 1987 would be the final payment.

Mr. Sargent: You are giving \$30 million to the Calgary Olympics.

Mr. Morris: The federal government has committed \$100 million to the Calgary Olympics.

Mr. Sargent: But you are giving \$30 million.

Mr. Morris: No, we are not. We are not giving anything.

Mr. Sargent: Is that not what your note says? I guess I read it wrong.

Mr. Morris: We are giving money to the federal government through the ILC. The provinces collectively are giving the federal government \$100 million, which is \$33 million a year each year for three years, but to the best of my knowledge the federal government is passing that on to Calgary towards the Olympics.

Mr. Sargent: I know the odds business. You are paying one in 5.9 and one in 4.5 and now as low as one in 3.4, which is amazing. I think that is good value.

Mr. Morris: Of course, that involves free ticket prizes as well. We have always felt we have an obligation to be fair in the prize structure.

Mr. Chairman: I think we have reached the end of it, Mr. Morris. Actually, we are 10 minutes overdue. All that remains is to determine whether Mr. Morris comes back tomorrow afternoon. What is the feeling of the committee? Have we exhausted the questions or are there more? I have a couple.

Ms. Bryden: I have more.

Mr. Chairman: Ms. Caplan, will you be here tomorrow?

Ms. Caplan: No. I think there will be someone else substituting for me.

Mr. Chairman: Okay. We will not be sitting tomorrow morning. I believe you have a board meeting.

Mr. Morris: That is our monthly board meeting. It was very difficult for us to change it. It is partly my fault because I arranged long ago for

them to meet tomorrow so that I could get away on vacation next week.

Mr. Chairman: Good for you. Will you be available at two o'clock?

Mr. Morris: Yes, I will.

Mr. Chairman: Okay. I understand we are trying to get the Ontario Advisory Council on Multiculturalism and Citizenship to come on Thursday, but we have not had any satisfactory answer back. It would appear we are sitting tomorrow afternoon, but Thursday we will not sit. We will not be here tomorrow morning. We will meet tomorrow at two o'clock.

Ms. Bryden: Will we take some time tomorrow to consider some recommendations arising out of this or will that be done at a later stage?

Mr. Chairman: The problem is we have not heard from the advisory council yet.

Ms. Bryden: On lotteries?

Mr. Chairman: No, no. It is the Ontario Advisory Council on Multiculturalism and Citizenship.

Ms. Bryden: I just wondered whether we wanted to draft out some recommendations on lotteries. This will be our final hearing on the lottery corporation, will it not?

Mr. Chairman: Yes, but we have also heard from other commissions, so it is felt that we should deal with them all together. We might not get to them until the House is sitting.

Ms. Bryden: The report writing will be at a later date for all of them.

Mr. Chairman: Yes.

Mr. Shymko: I just wanted to ask, if one should find out perhaps tomorrow whether or not the advisory council will appear before the committee, could you notify some of the members who may be interested in sitting, such as myself?

Mr. Chairman: You mean informally?

Mr. Shymko: Yes, if they do appear; and whether or not it would be possible, since the chairman may not be in an appropriate state of health to appear before the committee, it may be acceptable for members of the committee that the hearing be held with the vice-chairman or any representative the chairman may feel could adequately represent him on the issues of that council.

Mr. Chairman: I am sure the clerk will pursue that.

Clerk of the Committee: Their previous response was that they did wish to appear with the chairman.

Mr. Chairman: I can understand that.

Mr. Lane: We will know tomorrow for sure.

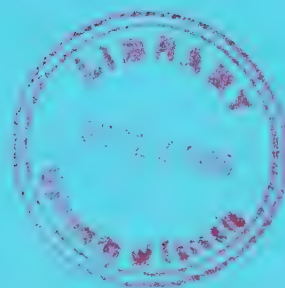
Mr. Chairman: If there is any change, we will know tomorrow.

The committee adjourned at 4:10 p.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW: ONTARIO LOTTERY CORP.

WEDNESDAY, SEPTEMBER 17, 1986

STANDING COMMITTEE ON GOVERNMENT AGENCIES

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Grande, T. (Oakwood NDP) for Mr. Hayes

Sargent, E. C. (Grey-Bruce L) for Mr. Poirier

Sheppard, H. N. (Northumberland PC) for Mr. Rowe

Clerk: Arnott, D.

Staff:

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Tourism and Recreation:

Eakins, Hon. J. F., Minister of Tourism and Recreation (Victoria-Haliburton L)

From the Ontario Lottery Corp.:

Morris, D. N., President

Stothers, W. G. D., Chairman

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, September 17, 1986

The committee met at 2:15 p.m. in room 230.

AGENCY REVIEW:
ONTARIO LOTTERY CORP.

Mr. Chairman: I see a quorum. We have with us today the Honourable John Eakins, Minister of Tourism and Recreation. Thank you for coming. We appreciate it. Would you like to come up and be a witness?

Mr. Sargent: He bought a new suit for the occasion.

Hon. Mr. Eakins: And my Expo tie.

Mr. Chairman: Playing it smart again. Good for you. I thank you for coming. The members of the committee had some questions they wanted to ask you. I do not know if there are any remarks you wish to make first.

Hon. Mr. Eakins: I want to say that I appreciate the opportunity and the invitation to join you today. You may have some general questions to ask. I appreciate that you have given me an opportunity to come early so that I could leave a little early. I have some other commitments out of town.

I know Mr. Morris, the president of the Ontario Lottery Corp., has been before the committee. We also have present today Walter Stothers, the chairman, and Mrs. Sandra McKinnon Jolley, the vice-chairman.

I want to say in opening that the people here today do the day-to-day operations of the lottery corporation. My responsibility is simply to set policy and carry out the mandate that is outlined in the memorandum of understanding. I suppose there are a number of things I might say, but you may have some specific questions to ask; if you do, I will be pleased to answer them while I am here.

Mr. Chairman: With the committee's agreement, could we limit the time for each member for questions, perhaps 10 or 15 minutes, and then come back for a second round? That would give everybody an opportunity to get in. I will not accept any supplementaries, and that will make it totally fair. Can we agree to 10 minutes?

Mrs. Marland: I too thank you for coming today, Minister. It is an opportunity for the committee to deal on a first-hand basis with this subject area, which seems to reflect directly on your ministry, particularly with the historical mandate of the use of the funds from the Ontario Lottery Corp. Obviously my concern has to be on behalf of the many cultural and recreational groups within the city of Mississauga that have had a great deal of benefit directly from that funding source.

I guess I have to ask you how you plan to deal your cards at the cabinet table in the cabinet sweepstakes for the funding should the amendment, Bill 38, become a reality.

Hon. Mr. Eakins: That is a good question. I am pleased you have asked that, and I am pleased to endeavour to answer it, because I do not believe it is going to have any detrimental effect on the recognition of the importance of amateur sport, fitness and cultural affairs across the province.

I might say too that since the Treasurer (Mr. Nixon) announced his intention to amend the act, there has been increasing support given to sport, fitness and cultural affairs across the province. For instance, when I was sworn in as minister, there had not been a capital grants program since 1983; that now is in place with \$15 million. There was a capital conservation program of \$3.4 million, and the Treasurer has increased that to \$10 million. We have announced a number of other initiatives and programs, which I think demonstrates that our government still wants to carry on and hopes to increase the contribution not only to cultural affairs but also to sports and fitness.

14:20

We have a commitment, and we are going to see it is honoured. I do not see any change in that whatsoever. I see it as simply legalizing what is already being done, because over the years I have received letters from municipalities in particular and from recreation associations, saying, "We are going to be cut off and there will be no funding" for their associations. Something they do not realize, and I find many of us in the Legislature do not realize, is that there has been a great deal of expenditure already on other activities, all of which we had thought was being directed to sports and fitness.

Since the Ontario Lottery Corp. was inaugurated, up to and including 1985-86, the total lottery revenues were \$1.6 billion. The total expenditures for sports, recreation and cultural projects over those years were \$780 million, and the total expenditures for health and special social service projects were \$266 million.

For instance, in the past two years, I have noticed something like \$37 million has already gone to hospitals, hospital construction and health-related affairs, and \$15 million has gone to the Trillium Foundation to help various organizations across the province that would not get help otherwise. Also, I think \$9 million has gone to homes for the aged, and something like \$2 million or \$3 million has gone to environmental research, labour research and things such as that.

Mrs. Marland: Are the figures you are now giving for this year?

Hon. Mr. Eakins: These are the approximate figures that have been designated over a number of years.

Mrs. Marland: I guess the question is, when were they designated?

Hon. Mr. Eakins: Some of those have been annual contributions.

What I want to point out is that not all the funding has been designated or has gone to sports, fitness and cultural affairs. It has gone to other things, which I have outlined. I see the amendment as legalizing what has already been happening over the years.

Mrs. Marland: As the minister, how do you see your chances of securing at least what has been allocated in the past? That is my concern, and I think that is the concern of the municipalities around this province. They

are very realistic about it, because even in terms of public support, if you are going to throw on the table a cancer research hospital and the Timmins recreational centre--which is a fictitious example on my part--there is no way a sports facility can ever compete with a health facility when you are dealing with survival in terms of a cancer research facility or chronic care beds, nursing homes for Alzheimer's patients and so forth.

I would like to know how you personally plan to maintain a commitment to the recreational and sports groups around the province, recognizing that last year \$13 million that was allocated by the previous government to culture alone was not flowed through. It is fine to say there is an allocation and a commitment, but when it is not flowed through--as happened last year with \$13 million for culture, and then that money went back into the general revenue--I have a very real concern for the security of the future funding of programs for recreation and sports in the province.

Hon. Mr. Eakins: The Premier (Mr. Peterson) and the Treasurer are on record in regard to the continuing contribution. I feel as strongly about this as you and others across the province do. It is important that we continue the programs of amateur sport and fitness, because healthy people are going to reduce the need for hospitals in many cases. It has to continue. I can only tell you that I feel as strongly as anyone here about it, and as long as I am involved, I will be fighting for that. As far as my ministry is concerned, the commitment of the Treasurer has increased since then; it has not decreased, and I tell you it must continue.

Mrs. Marland: Can you tell me why?

Hon. Mr. Eakins: I say, "It must continue."

Mrs. Marland: Yes. I thank you.

Mr. Chairman: You still have time for one more, if you want it.

Mrs. Marland: No. I will come back to it.

Mr. Leluk: I would like to follow the line of questioning that Mrs. Marland has raised. You stated that the reason we have Bill 38 and the reason we are changing the game rules is that we want to make something legal. You are legalizing what was there before. You stated that it will not make a difference. If it is not going to make a difference, why are we doing this? If there is no difference in what you are doing now by bringing in legislation to legalize something, why are we doing it?

Hon. Mr. Eakins: Other than sports and fitness, it is giving the other ministries where there is perhaps a need that has not been addressed an opportunity to share in some of the increasing profits of the lottery corporation. That does not mean we have to take away from the cultural activities or sports and fitness to do that. It is simply making some of that funding available for other things.

Mr. Leluk: In the past, the profits that were generated by three games--Wintario, Lottario and the Instant game--were earmarked for the specific purposes of physical fitness, sports, cultural and recreational activities in the province. Those moneys were there for those purposes, and people knew what moneys were there. The whole process that applicants went through was through field representatives who made recommendations, after meeting with specific groups, concerning who should be funded.

Now this decision is going to be made in the political arena. Decisions will be made by order in council as to what regions will get money and how much money. Those are going to be governed now by a cabinet decision through order in council.

I have some very serious concerns about this, as do many people out in my riding. Mrs. Marland has mentioned that there are concerns in Mississauga about future funding. You say that a commitment has been made by the Treasurer of this province and that you strongly believe in it. I have no doubt that you do, as the minister responsible for the area of recreation, but the decisions now are going to be made in the political arena, so decisions about how much money and who gets that money are going to be made at the executive council level. Is that not so?

Hon. Mr. Eakins: I believe some of that has already been made at that level over the past years, but this does not mean to say it is going to rob, so to speak, those areas that were originally set out that the lottery corporation was for.

You must also admit and recognize that over the years the proceeds from the lottery corporation have increased. I remember reading one time when someone suggested that the profits might even reach \$50 million, and someone said, "No way." Not only did they increase to \$50 million but the total increase now is--

Mr. Leluk: But even though the proceeds may increase, that does not guarantee to these various sports organizations and groups and cultural agencies around this province that they are going to get what they received in the past. The proceeds may be there but, as I say, the decisions now are going to be strictly political, made through an order in council. The game rules are changing.

14:30

Hon. Mr. Eakins: I can only say that the record to date is very good and that these activities have increased considerably, especially under my ministry. It is my hope and it will be my view that this should continue.

Mr. Leluk: I expressed concern to Mr. Morris yesterday about the fact that many sports organizations and people who are avid supporters of sports and fitness in this province purchase Wintario tickets and, I am sure, Lottario and Instant tickets, simply because they know the proceeds are going to go to those specific areas. With the change in the game plan so that decisions are made through an order in council, some of these groups may be reluctant to buy tickets.

In the game of chance, we know people are going to gamble and purchase tickets regardless, but there are those who may decide now, not knowing how this money is going to be spent and whether their regions of this province are going to get a fair share of the revenues generated by these games, that they are not going to purchase tickets. Do you have any concerns about that?

Hon. Mr. Eakins: That probably would be more apt to happen if the commitment were lessened. At present, right across the province, they realize we are carrying on helping many communities that have been helped in the past. My predecessors will tell you I was their strongest supporter when it came to what was happening with the proceeds of the Ontario Lottery Corp. They helped many small communities that could not receive assistance otherwise, which meant the rest of the province was recognized as well as the large urban areas.

I do not see that being affected unless the commitment is lessened. At that time they might feel they have to reconsider. At this stage I do not think they will, because the commitment to help many of the smaller communities in the province is being honoured.

Mr. Leluk: Now those revenues are going to go into the consolidated revenue fund, and there is a tendency for moneys to become lost in such a fund. How are the people in the province who spend moneys on the various games going to know what the moneys are being used for? They are going to be lumped into the consolidated revenue fund in the province. What kind of accounting will there be of where and how the moneys that are generated are going to be spent?

Hon. Mr. Eakins: It is important that the people fully understand and have access to how the money is spent. I outlined in general terms the lottery revenues and where the total amounts were spent. If that were broken down, and it is quite possible to do that, the interesting thing is that all parts of the province have been able to benefit by the lottery corporation programs.

Mr. Leluk: My closing comment is that when you, as minister, say it will not make a difference, I do not see why there is a necessity to make the change if it is not going to make a difference, just for the sake of legalizing something that is already in place and has been working well in the past.

Hon. Mr. Eakins: There were funds in the past that were at the discretion of cabinet and of the Premier. At one time, there was a Premier's discretionary fund to assist various areas in need, and the areas that were helped were very deserving. In this way, it is simply open. Many areas of need across the province now are going to be able to deal with it openly and have equal access to that funding. We have a commitment from the Premier and the Treasurer that the same funding will continue for sports, recreation and cultural projects.

Mr. McKessock: Can I have a supplementary, Mr. Chairman?

Mr. Chairman: I am not allowing supplementaries.

Mr. Leluk: I have no other questions at this time.

Mr. Chairman: In that case, I will allow your supplementary, if it is a very short one.

Mr. McKessock: Can I take it from what you said that the money put towards recreation will not be any less than it has been in the past?

Hon. Mr. Eakins: I am sure it will not be. I hope it increases, really. I think it is very important. There are a lot of areas of need across the province. It is very important to life today that we pay attention to the health and wellbeing of our citizens and this is one way of making sure we do that.

I might point out too that for the first time we have created the provincial seniors' games--to which we contribute from the lottery funds--which were held in Kitchener just a couple of weeks ago. That has received a great deal of interest from our senior citizens. Those things should continue.

Mr. Sheppard: Have you got your new guidelines out? I have been

phoning the office and getting the reply, "Yes, they will be out next week" or "They will be out in a few days." When are they going to be out so that when the people in my riding phone up, I can send them something or discuss it with them?

Hon. Mr. Eakins: You mean for the capital or conservation projects?

Mr. Sheppard: Both.

Hon. Mr. Eakins: We have recently announced the successful applicants for many of the capital projects and the capital conservation projects. They have just now been completed. We look forward to putting together some criteria for the next round.

Mr. Sheppard: How soon are you going to have those out?

Hon. Mr. Eakins: I cannot say exactly but it should not be very long. It is being worked on. After all, I think you have just received the results of those applications--there were many of them--either from myself or from the regional directors.

Mr. Sheppard: I have not seen them. Maybe they are on my desk but I have not seen them yet.

Hon. Mr. Eakins: I am sure they are in one of your offices. If they are not, I can provide them for you this afternoon.

Mr. Sheppard: I will check and if I have not got them--

Hon. Mr. Eakins: You phone the office and I will have them sent over to you today.

Mr. Sheppard: When I leave here, I will go back up and check.

Hon. Mr. Eakins: We will see that Northumberland is up to date.

Mr. Sheppard: Are you going to increase some of the grants that are going out to arenas or legion buildings, or has that been decided yet?

Hon. Mr. Eakins: The amount of money we had this year for capital construction was the same as previous--I think the year 1983 or before was \$50 million. The capital conservation, as I mentioned, was increased from \$3.4 million to \$10 million and we have been able to help many more communities with the repairs and upkeep of existing community centres.

Mr. Sheppard: I was not sure whether I caught the meaning of what Mr. Leluk was questioning you on. Are the criteria going to change? As you know, I deal out of the Peterborough office for the five counties in the Peterborough area. Are they still going to look at things and then send them on to your deputy minister or assistant deputy minister? The things you are going to change, are they going to be left much the same?

Hon. Mr. Eakins: I am always open. As minister, I am open to hear from any of our members or the public as to how we might better the program. If you have ideas and thoughts of how we might make the program more effective, we are always glad to hear from you. It is a program I really believe in; I have always supported it and always will because it has helped so many people across the province. If you feel there are better ways of

handling this and that the criteria should be changed, I would be delighted to hear from you.

Mr. Sheppard: I have one other question. I read in the Toronto Star, October 22, 1985, that 47 distributors were pet jobs, of a kind, from the previous government. When I phoned Mr. Morris--his name is mentioned here--he advised me that he was not having anything to do with it and that the best man for the job would be hired.

Mr. McKessock: Were you trying to get a job?

Mr. Sheppard: No, I was not trying to get a job, but I was trying to get one for somebody else and it did not work.

I want that to go on the record. I do not always agree with Mr. Morris when I phone him for some things, but I have to disagree with the paper saying he gave it to a party affiliation.

That is all at this time.

14:40

Ms. Bryden: I am very pleased that the minister has joined us, because a number of questions came up yesterday that Mr. Morris said were not within his jurisdiction and we had to ask the minister.

The first thing I want to ask is about putting a cap on the large prizes for Lotto 6/49 when they get up to \$10 million or \$15 million sometimes. Mr. Morris said he agreed with us that there should be a cap and that one way of solving the problem would be to put a cap on the first prize and then redistribute the balance to other prize winners through a prearranged scheme or allocation so that the one draw would cover the extra prizes. The numbers that were drawn the night of the draw would be used.

However, he held out no hope to us that it would be possible to put a cap on it, because of the fact that a 10-province agreement runs Lotto 6/49 and the other provinces feel that the bigger the prize, the more tickets you will sell. That is questionable. It seems to me that if you are going to distribute the whole \$10-million jackpot in some way to the prize winners, there will still be the same urge to buy tickets when it is so big a jackpot.

Are you prepared to go to the other 10 provincial Premiers or ministers responsible for the lotteries and ask them to consider the proposal Mr. Morris mentioned for redistributing the prize money by putting a cap on the first prize so that this obscene amount of \$10 million or \$14 million does not go to one prize winner?

Hon. Mr. Eakins: My feeling is that it is a lot of money for one person and we can do a lot of good by distributing it over a wider area.

Ontario has taken the position that there should be a cap on it. Mr. Morris is quite right. He has taken it--because I do not attend the lottery corporation meetings--to the Interprovincial Lottery people, and there just has not been enough support from other provinces to do that. It has not occurred to me to talk to the other provinces at this stage, because we have just been discussing how this might be done.

In other provinces, the lottery corporations are under various ministers

and ministries. There are some in which it comes under the recreation, sports and fitness ministry and there are others that do not attend the federal-provincial ministers' conferences. However, it is a good thought. I will talk to our officials about it and see whether there is a vehicle by which this might be done.

Ms. Bryden: Would you talk to your cabinet colleagues? It has to go above the official level, because it has been turned down at the official level; that is, the level of the directors of the corporation.

Hon. Mr. Eakins: I would be glad to review it with them, yes.

Ms. Bryden: There are a lot of people in Ontario who would like to see that cap put on, but it is going to require either a Premier-to-Premier discussion or a minister-to-minister discussion.

Hon. Mr. Eakins: I can assure you I will discuss it further.

Ms. Bryden: Another thing I wanted to raise is that it was brought out yesterday that the three interprovincial lotteries are under different--this is not legislation--but the interprovincial corporation determines the subjects that the proceeds from those three interprovincial lotteries can cover, but the actual allocation of the proceeds of the three interprovincial lotteries in Ontario is done by orders in council. Is that correct?

Hon. Mr. Eakins: From the Ontario proceeds?

Ms. Bryden: Yes.

Hon. Mr. Eakins: They go through the lottery corporation, I believe, to our ministry and to the Treasurer (Mr. Nixon).

Ms. Bryden: Yes, but in the actual decision of where those proceeds should go, is it written into the interprovincial agreement that they must go to hospitals or that they can go to social welfare agencies or to environmental research, or is that a decision that is made by Ontario and legalized by an order in council? They are certainly not within the purview of the Ontario Lottery Corporation Act, which says it must go to fitness, sports and recreation.

Hon. Mr. Eakins: No. Their responsibility is simply to run the game and my job is to make sure it maintains a high credibility, which I believe it has. The funds come to the Treasury for whatever happens then with cabinet approval.

Ms. Bryden: Who determines? Is it the Treasurer who determines or the cabinet that determines where those funds go?

Hon. Mr. Eakins: The cabinet approves it.

Ms. Bryden: Because it has to be done by order in council.

Hon. Mr. Eakins: Yes.

Ms. Bryden: Why was it necessary to put through a special order in council in May 1986, just after the budget, to take it out of the hands of Management Board and put it entirely under the provincial Treasurer, in effect?

Hon. Mr. Eakins: That was introduced by the Treasurer.

Ms. Bryden: He was doing to the interprovincial lotteries what he is proposing to do to the provincial ones, and that is to get it all under his thumb. He will have the entire say of where it goes.

Hon. Mr. Eakins: That comes down to Bill 38.

Ms. Bryden: Bill 38 applies only to the three provincial lotteries.

Hon. Mr. Eakins: That is right.

Ms. Bryden: By an order in council in May, he is going ahead of Bill 38, and I think this is an insult to the Legislature. In advance of Bill 38 being adopted, he is rushing to see that the interprovincial lotteries and all their funds are under his thumb. It seems to me that he should have waited until Bill 38 was dealt with. Judging by some of the opinions expressed in this committee, it is going to have a hard time going through the House.

Hon. Mr. Eakins: I guess that is a decision the Treasurer made.

Ms. Bryden: Presumably this order in council was approved by cabinet and you were there and knew about it. Do you think it should have been delayed until Bill 38 was dealt with and we knew what the Legislature thought on this subject?

Hon. Mr. Eakins: I think Bill 38 will give everyone an opportunity to discuss the general thrust of the bill and to make comment, as we have today, on the various programs.

Ms. Bryden: It will enable us to determine what should happen to the money from the three provincial lotteries.

Hon. Mr. Eakins: It is an opportunity to air the whole procedure.

Ms. Bryden: Do you not think there should be provincial legislation, not just orders in council, governing the disposition of the funds from the interprovincial lotteries, so that the Legislature has a say in where that money goes?

Hon. Mr. Eakins: I think we should wait to see what the Treasurer has to say when he introduces and discusses the bill. I am sure he will be enlarging on it at that time.

Ms. Bryden: I certainly share the concerns of the previous speakers that we have no guarantee that recreation, culture and fitness will get as good a break as they are getting now--which is not all that great--or will get a better break. All the Treasurer has said in his budget paper is that project commitments will be honoured, which means funds that have been already allocated will be paid, and that provincial funding for recreational, culture and charitable programs will be continued. He does not say at what level. He does not say which charitable programs. Charity is covered under the interprovincial lotteries, because it is not recreation or culture and I do not think it is fitness.

Do you not think the Legislature should have the say about where the money goes from all six lotteries?

Hon. Mr. Eakins: As I have said, we are going to have a full debate in the House on Bill 38. It will give an opportunity for everyone to say how he or she feels about the bill and the designation of funds. I think that is important. The Legislature should have full opportunity to debate this and to say what direction the bill should take.

Mr. Chairman: Thank you, Ms. Bryden. We will put you on again if you wish.

Ms. Bryden: Yes.

14:50

Mr. D. W. Smith: I think some of my questions have been answered.

It seems to me there is a little undue concern about what this government is going to do with recreation and sports funding, because, as was stated yesterday--I apologize for being late today and maybe it was stated again today--back in 1983 the funds were frozen anyway. This government has increased them greatly. I cannot share the same concerns that some of my colleagues seem to be expressing in their comments. I have to say the minister is dealing with the issue at hand quite fairly. It seems to me that most of the people are being satisfied.

One of my colleagues mentioned politics in this game. I remember our previous member in Lambton used to say there was a lot of politics involved in getting lottery funding for our area. I am sure it will not be much different if politics come into it now. I am sure it was always present in the past, judging from statements our previous member made, and he was with the previous administration.

I commend the minister for the job he is doing and hope we can keep the funds going to the appropriate people. As the Ontario Lottery Corp. was set up in 1975, I do not think there was any idea at the time, as was stated yesterday by Mr. Morris, that it would ever generate the revenues it is generating. A lot of things have changed since 1975. Perhaps there are greater needs in some areas that would do more good for our people than recreation and sports, but I still say sports and recreation are being better taken care of than they were a year ago.

Mr. McKessock: I am sorry I was not here yesterday. I believe it was mentioned that the total profit made from the lottery funds was \$320 million. Does that involve the Ontario lotteries as well as the interprovincial lotteries across Canada?

Hon. Mr. Eakins: That would be the total.

Mr. McKessock: Profit of \$320 million from all lotteries we are connected with.

A minute ago Ms. Bryden discussed having all the funds stay with recreation. I guess there are very few taxes such as that within the government that go directly to a specific thing. For instance, all gas taxes do not go to roads and all tobacco taxes certainly do not go to farmers. I guess there are very few revenues that go specifically to one thing. Is that right? I guess the fishing licences go to one thing.

Hon. Mr. Eakins: I believe the revenue from fishing licences goes

into the consolidated revenue fund. In that regard, I understood the minister to say the equivalent funding would go into sport fishing, etc.

I am quite pleased with what has happened over the years and in the last year in particular with the commitment to sports, fitness and recreational activities. Many small and large communities have benefited from it. I understand all but six communities in Ontario benefit from it. Those six communities probably do not have a centre of activity for which to receive the benefits. Everyone, equally and without political consideration, is a recipient. It is all open for anyone to see where the projects are and where they are supported. Our field staff makes recommendations, because it is close to the projects. Usually, we accept those without exception.

Mr. McKessock: I expect the government likely got requests from different parts of society. I have received letters saying some of the proceeds from lotteries should go into health research, cancer research or whatever. I expect the government likely received some direction from the public before Bill 38 came before us.

Hon. Mr. Eakins: That funding was going to other activities in the past number of years. In fact, it is just starting the fourth year of the Trillium Foundation, which is helping. That came about as a result of many areas of need not being addressed. By forming the Trillium Foundation, they were able to do this. It is a good organization, which is helping many organizations throughout the province that would not be helped otherwise.

The money has gone to good causes. I have never disputed that over the years. I was always very supportive and I still am, but I am still very strongly committed to it.

Mr. South: I am intrigued. Did I understand your statement correctly, that with legislation which said money was to go to recreation and sport, the previous government took some of the money and put it to other uses?

Hon. Mr. Eakins: Over the years, all the funding and all the profit generated has not gone to sports, fitness and cultural pursuits.

Mr. South: So, with the benefit of legislation, it is still possible to get around it.

Hon. Mr. Eakins: I would say simply that legislation is going to leave it open for--

Mr. South: No, I mean the previous legislation was restrictive as to where the money would be spent, yet we are told the money was spent on things other than what it was designated for. The point I am trying to make is this: What would legislation that these other members are concerned about do that has not been done in the past? If the people running it do not have a high degree of integrity, whether they are politicians or political appointees, it would seem they can do what they wish with the money anyway. What is the concern then? I guess I am saying I do not appreciate the concern of the other members who have expressed themselves.

Mrs. Marland: I will explain it to you.

Mr. Chairman: In all fairness, and I think you can answer that question too, the answer to Mr. South's question is that the decision to put money into other things--health and that sort of thing--was only done with new plans that were created for that purpose.

Mr. South: New which?

Mr. Chairman: New plans that came in.

Mr. South: But did they have the benefit of legislation?

Mr. Chairman: Hold on a minute, Mr. South. The fact of the matter is a decision of cabinet, of which I was a part, to put money into things other than recreation and culture came with the institution of new plans, and they were taken from that. I do not think any money ever came to health from Wintario--the existing plans at that point. You can correct me if I am wrong, Mr. Eakins.

Mr. South: You do not think. That is the whole point, is it not? The statement has been made that some of these moneys, even though they were assigned to sport and recreation, went to other things.

Mr. Chairman: You obviously did not choose to hear what I said, Mr. South. I explained that and said--

Mr. South: But you said you think.

Mr. Chairman: I said they were new plans. Somebody can check me out. Your minister can, if he will.

Mr. South: This is the very point. It is a very critical point. It is what the whole discussion is about.

Mr. Chairman: Carry on.

Mr. South: Is it not?

Mrs. Marland: I will explain it to you.

Mr. South: You try and you say something other than--the chairman was in cabinet and he says he thinks.

Mr. Chairman: I will say I was there when it happened. How does that suit you?

Mr. South: You have not given me a fact yet.

Mrs. Marland: I would be happy to answer your question. The minister does not seem to be answering your question. A former minister has attempted to answer your question, Mr. South. If you had your agenda in front of you, you would be able to refer to the Ontario Lottery Corporation Act, which addresses the direction of the net profits of the corporation. It does not say "exclusively," for one thing. I am reading from section 9 of the Ontario Lottery Corporation Act, where it says:

"The net profits of the corporation after provision for prizes and the payment of expenses of operations shall be paid into the consolidated revenue fund at such times and in such manner as the Lieutenant Governor in Council may direct, to be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor."

Nowhere in section 9, Mr. South, does it say "exclusively."

15:00

Mr. South: Then I have to agree with the point that if the legislation does not say it is to be exclusive, then all the Treasurer (Mr. Nixon) is doing is phrasing it a little differently. You say it does not say "exclusively," and I guess this is what the Treasurer is saying with his new legislation. What is the concern then?

Mrs. Marland: When I get to ask my final question, which I still have due, I will ask the minister a question about the establishment of the lotteries originally, with which all parties were in agreement. That may help you when I get to that point.

Mr. Chairman: You still have the floor, Mr. South. Do you have a question for the minister at this time?

Mr. South: Would the minister like to make a comment?

Hon. Mr. Eakins: As I originally stated, the purpose of the amendment is to provide an opportunity for other areas that need to be addressed. They were being addressed before, and this, as I see it, is simply acknowledging that need publicly and providing for it.

As I mentioned, other funds were set up that were large projects that were assisted as special projects, such as the Varsity Arena. I think it was \$1.5 million. In May or early June a year ago there was the project for Ryerson, which was \$1.5 million and which was a special project. There have been special projects over the years that have helped research and hospital construction and have received assistance over many years. Therefore, it is really no different from what has happened in the past, in my view.

I believe that the need to continue with our cultural pursuits and our recreation, sports and fitness activities can stand the test and the need along with other areas. I am quite confident it is going to be addressed and it is going to continue. I hope we will even see an increase.

Mr. Chairman: All finished?

Mr. South: Yes. As I say, this concerns my point that we are concerned about nothing.

Mr. Chairman: What a way to spend time. However, we have been through one round of parties. Would the committee consider allowing the chairman to ask a question too?

Mrs. Marland: Yes, certainly.

Mr. Chairman: We spent a good deal of time yesterday with Mr. Morris discussing the capping, and Ms. Bryden touched on this. I do not share the belief that it should be capped. My problems with it are: first, it suggests to me that, in view of what Mr. Morris said yesterday, it might somewhat limit sales when there is a big jackpot buildup; and second, I do not think it is mathematically correct to sell tickets on the basis of the odds they are being sold on now and then somehow limit a prize.

Maybe I am way out in left field here, but it seems to me nobody buys a lottery ticket with the thought that he is going to win third or fourth prize; people all buy them with the idea they are going to win first prize. Very few

of them do, of course, but is it not somehow inaccurate to limit a prize after people have bought a ticket on it?

Hon. Mr. Eakins: As long as they know what the prize is going to be. If they knew the prize was capped and the balance would be received in other prizes, I do not see that affecting it. What I am recommending was also supported by the previous government and I know my predecessor, Mr. Baetz, was supportive of capping.

Mr. Chairman: That does not answer my question. It does not matter to me how many governments were in favour of it. I am stating an opinion and asking you a question. Are you stating that you are locked into that position?

Hon. Mr. Eakins: I do not see it affecting the people who are going to play the game. Personally, I do not know.

Mr. Chairman: You do not think it is really a twisting of the rules when you do it? Let us put it in the same category as when you go to a racetrack. You place a bet and the odds are governed by the amount of money put on that horse, whereas if you book through bookies, they never pay odds greater than 15 to one. We do not exactly view bookies as totally honourable people. We are talking about doing something in the same way, are we not?

Hon. Mr. Eakins: The people know what the result of a win will be, and from time to time the lottery corporation changed the format of the games. It is their prerogative to do that and to generate renewed interest in the game, because some of the games have to be changed after a while and the interest regenerated in them. Of course, I leave that up to them. I do not see any problem as long as the people know what the result is going to be.

Mr. Chairman: Just one final question: One thing that has always bothered me about lotteries and these large prizes is the amount of publicity the winners get. I think this is an infringement on their rights. When people wins a lottery, suddenly their picture, their name, their address, virtually everything about them is put in the newspapers, inviting calls and proposals by every crackpot in the country. I view this as an infringement on the rights of people who win a prize. Surely someone must be viewing that. With the amount of harassment, people have to go into hiding.

Mr. Sargent: You have to be kidding.

Mr. Chairman: Unlike Mrs. Bryden, I do not regard \$10 million as obscene. I think it is marvellous and I would love to take the risk, but I do not see why it is necessary. Why do their names have to be put all over the papers and everything else?

Hon. Mr. Eakins: In a sense, that is a good question. In another way, people have a right to know who won. The credibility of the corporation and the lotteries across Canada--our interest, of course, is in Ontario--must be maintained at a very high level. To reveal that information about a winner is one of the hazards, if there are hazards, in winning. Mr. Morris or Mr. Stothers can probably follow up on that. I do not know of any alternative at this time, other than to say that if someone wins, people have a right to know who won.

Mr. Chairman: Let me draw an analogy there. Under the Young Offenders Act, the name of anyone under 14 or 16 cannot be printed in the paper if they are charged with some kind of crime.

Mrs. Marland: It is 18.

Mr. Chairman: Is it 18? Here if a person under 18 wins a prize of \$14 million, the paper has the full right to print his name in the paper. The alleged young criminal is protected, whereas a person who is lucky enough to win a lottery prize is advertised for every nut to take a shot at.

Hon. Mr. Eakins: I know what you are saying, but I do not know the answer to that. The largest prize I have presented was to a 22-year-old. He received more than \$10 million. I was quite impressed with him and I just hope everything is going well for him. I am sorry I do not have the legal answer to that, Mr. Chairman.

Mr. Chairman: Yes. They will not even let him get married in peace without his picture all over the paper. Holy Jesus!

Mr. Sargent: Any more good ideas, Mr. Chairman?

15:10

Mr. McKessock: I tend to have some sympathy with what the chairman has to say, but, as the minister said, the credibility of the Ontario Lottery Corp. has to be upheld. It would only be a matter of time until people would be saying: "Did anybody win this? We never hear of anybody winning."

Mr. Chairman: As they are saying about the Young Offenders Act, "Did anybody really commit this crime?"

Mr. McKessock: In regard to the young offenders, there is a difference. If I were a young offender and committed a crime, I might like to have my name withheld to give me a chance to get rid of that crime and grow up, whereas if I won a lottery, it would be different. I would appreciate winning the lottery, whether anybody knows about it or not, but I would rather people did not know about it if I committed a crime and wanted to right my life.

Mr. Chairman: I can understand that logic. If you committed a crime, you would not want anybody to know about it. That is understandable.

Mr. McKessock: The reason they do that is so the young offender has a chance to turn himself around.

Mr. Chairman: The guy who wins \$1 million does not escape the chance of being shot at or blackmailed.

Mrs. Marland, you are on.

Mrs. Marland: I listened with great interest to the comments of the Liberal members of this committee this afternoon. Often this committee is not too partisan, which says a lot in its favour. For a member this afternoon to compare the lottery corporation function with general taxation in the province vis-à-vis fishing licences, liquor taxes, etc., is a rather interesting comparison. Obviously, when we are talking about whether somebody purchases a lottery ticket, it is entirely voluntary--

Mr. McKessock: It is voluntary when you buy a fishing licence too.

Mrs. Marland: --as opposed to some of the applications of the funds

for those other examples that were given. Certainly, the comparison in my opinion is not too relative. Listening to the member for Lambton (Mr. D. W. Smith), I cannot help wondering whether his questions or statements would be the same if he represented an urban riding rather than a rural one.

Mr. Eakins, you respond that the allocation of money is not going to be on a political basis, and you are suggesting that it has been in the past. If that is so, then I wonder how allocations--I guess the most major allocations have been to municipalities and their projects rather than to individual groups.

I have to get back to the whole discussion about where we are going from here, because I think that is the concern of everyone in this room. When we get into the Legislature, it will be the concern, because where we go from here--I would feel a great deal more security if the Liberal members of the Legislature had not changed their minds.

I suggest that their minds have been changed from what they were 10 years ago. According to the annual report that was presented to you as minister in 1985, the statement therein under "Grants" is, "When the Ontario Legislature created the Ontario Lottery Corp. 10 years ago, it was unanimously agreed lottery profits should go to projects not normally qualifying for government assistance." I read that the Ontario Legislature was unanimous.

Mr. McKessock: Times change.

Mrs. Marland: That is interesting, because, in my recollection, 10 years ago there were Liberal members in the Ontario Legislature, were there not? The Liberal members who 10 years ago felt that the allocation of those profits should be for projects not normally qualifying for government assistance are now saying they can be used for anything.

Further to that, I feel that when the present government, which likes to say that it is very much an open government by comparison to anything else, claims it will be opened up--in speaking to you, I am speaking to a member of the cabinet and I respect your sincerity in saying this afternoon that, as far as your ministry is concerned, you do not have any concerns. I just wish I could share your confidence, because if that were so, we all could relax and feel that the projects which in the past have rated very highly in the allocation of profits from the Ontario Lottery Corp. would continue to be beneficiaries.

The wording that is in Bill 38 is that the Ontario Lottery Corporation Act be amended by striking out the words, "to be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor." If, as you are trying to tell us, they want to legalize allocations outside these parameters, instead of saying this, why would they not have left it as it is and, rather than strike it out, add to it some other areas so that we could all be part of a debate that would be very realistic because the allocations of the funds could be very specific? In fact, there may be a lot of people who think lottery funds should be used for hospitals.

I recognize, Mr. Eakins, that we will all have an opportunity to debate Bill 38 in the House, and I do not plan this forum to be that. However, if Bill 38 simply legalizes what has been done in the past, then you have to be very specific, or at least your government does, in saying what has been done in the past and what you plan to do in the future. If you are going to

criticize what has been done in the past, you also have to be very specific about what is going to be done in the future that is going to be better in getting support.

Personally, I do not think lottery funds should be used for building roads and for other government programs. However, as a member of the public, I may choose to support the cause of building a cancer research facility. I have that choice today by supporting the cancer society and various other related programs. If, as a member of the public, I am going to have the choice about where lottery profits go, do you not think your government, being as open as it would like to think it is, would be more honourable in dealing with the public by saying, "In the future, lottery funds will be used for this and this"? Bill 38 does not say that to the public of Ontario. By striking out, it just says it will no longer be used for only those areas.

When this bill comes back for second reading, will you consider asking the cabinet whether it would be willing to list the areas the Ontario Lottery Corp. will be funding so that the public, in buying lottery tickets, will know it is supporting culture, recreation, sports, fitness, hospitals or whatever, but that it is only those areas so that the public has a choice?

Hon. Mr. Eakins: I appreciate your concern. We have to go back to 10 years ago when the lottery corporation was inaugurated and take a look at the changes that have happened over the years since then. One of the big changes is that revenues have far outstripped the original projections. In a sense, I look on it as a compliment to amateur sport, fitness and cultural projects that they now are so important to our wellbeing that they can fight their way for their share of the projects the same as any other need. You have to have some faith in the future, and I restate that I have every confidence that these activities are going to continue. As I said, the Treasurer has announced that, the Premier (Mr. Peterson) has stated that, it is a very important part of our life and it must continue.

On the other hand, funding over these years has not gone simply to the one area that I have mentioned; it has also gone to hospitals, environmental concerns, labour research, homes for the aged and the Trillium Foundation. They have all come out of that.

15:20

Mrs. Marland: Just a moment. Excuse me. No new homes for the aged have been built in this province since 1974.

Hon. Mr. Eakins: There has been \$6 million contributed to them on an annual basis--

Mrs. Marland: Chronic care beds, nursing homes--

Mr. McKessock: Homes for the aged. In Durham there is one.

Mr. Chairman: Please, Mr. McKessock, let--

Mrs. Marland: It is not in the category of homes for the aged.

Mr. Chairman: That is the end of the--

Mr. McKessock: Yes, there was: one in Grey county.

Mrs. Marland: Mr. Chairman, may I finalize my question?

Mr. Chairman: You have finalized. We have 10 minutes. We agreed to that, and you took eight minutes in your first question and two minutes for the answer. Ms. Bryden is on next. Mr. Eakins, I think you are under some time constraints.

Hon. Mr. Eakins: I would like, if it is possible, not to rush the committee, but I--

Mr. Chairman: Can you handle one more question? We have one more on the list. Ms. Bryden.

Mrs. Marland: Could he just answer the question about whether he is willing to ask the cabinet to list specifically what areas Ontario Lottery Corp. funding would go to?

Mr. Chairman: If we have time, I expect you can ask that question--

Mrs. Marland: No, that was my question.

Mr. Chairman: If you want to comment on it--Mrs. Marland, we agreed on a time, and you took eight minutes to ask the question. I gave the minister the time he needed, and he took it. Mr. Eakins, do you want to address yourself to that further or what?

Hon. Mr. Eakins: I will simply say that you have asked the question and I will certainly take it to the Treasurer.

Mrs. Marland: Thank you.

Ms. Bryden: Perhaps the committee may invite the minister back to some of our later hearings before we write our report.

Hon. Mr. Eakins: Sure. I would be glad to.

Ms. Bryden: I would like to ask why the funds that were going to sports, recreation and culture were frozen in 1983, because we have not been spending all the money that has been coming in from the three provincial lotteries in the past few years. I understand there is still quite a bit sitting in the revenues account, but it is still earmarked.

Hon. Mr. Eakins: I really cannot answer that, because I was not in the government of the day, but I understood there were some administrative problems at the time and the funds were frozen. I really do not know why, but there certainly has been a backlog of programs since then, and we have been trying to continue them. This year we have been able to help quite a number of them, in both capital and conservation projects.

Ms. Bryden: What the cabinet and the Treasurer are asking us to do is to trust them that the funds will go to the objectives in section 9 of the Ontario Lottery Corporation Act and will go to some of the other worthy causes to which they have gone.

I do not quarrel with the fact that most of the funds have gone to very worthy causes. The only thing that bothers me is that you gave almost \$50 million to Trillium, a private voluntary organization headed by John Craig Eaton and made up mainly, I understand, of a group of businessmen. You gave

them \$50 million and said: "You can distribute this to private nonprofit social service organizations. You can be sort of an Atkinson Foundation," which is a private foundation that can distribute its money as it wishes. "You can do that on behalf of the government of Ontario and according to your criteria of which social service organizations qualify." I believe that Trillium requires them to have been in operation for a minimum of two years, and that they be incorporated; they cannot be individual branches of a provincial organization, and there can be only one grant going generally to the provincial organization--things of that sort.

Not all their guidelines are bad, but the thing is that the public has no say in their criteria, nor do we have any appeal if we do not approve of all their grants, nor is there any review of it by the Legislature. I just question whether we can trust the Treasurer if he and the cabinet are going to hand out \$50 million in lottery money with very few strings attached.

Hon. Mr. Eakins: You mentioned the Trillium Foundation. I think if you look at this foundation you will see that they have been doing good work. They are a volunteer board; no one gets paid other than the executive director and perhaps one or two others. The cost of running the foundation is one point something per cent, which is pretty low maintenance for the work being done.

They endeavour to help make the associations they help self-sustaining and they help those organizations that operate in three out of four regions of the province. There is no doubt there may be some other areas that need specific assistance, but in our discussions of this with the Trillium Foundation, it is starting to look at its mandate to see whether there are other areas it can help.

We are very fortunate to have this foundation with such a low overhead. It can do a lot of social service work that might otherwise not be done. I would be glad to hear if you felt there were areas it was working in where it should not be. From what I can see in reading the reports and from being in touch with them, a lot of organizations are being assisted throughout the province that would not otherwise be helped.

Ms. Bryden: Have they raised any money on their own to supplement the funds they hand out, the \$50 million they dispose of?

Hon. Mr. Eakins: It is \$15 million a year.

Ms. Bryden: Yes, but it has been approximately three years, a total of \$50 million up to the end of March 1986.

Hon. Mr. Eakins: I cannot answer that fully. There may be other volunteer moneys they received. I cannot say with assurance.

Ms. Bryden: Can you tell us out of which lottery funds the \$30 million pledged for the domed stadium will be coming? Do Bill 38 and the new order in council, also on interprovincial lotteries, mean that the Treasurer will have the decision on whether more money could go into the dome? If the Legislature has no say over it and if it does not have to be under section 9 of the Ontario Lottery Corporation Act, presumably the Treasurer has a free hand if that legislation goes through.

Hon. Mr. Eakins: The \$30 million for the dome was already committed.

Ms. Bryden: From which lottery fund?

Hon. Mr. Eakins: I cannot say for sure just which fund. There is \$30 million of lottery money, and I cannot say for sure which fund it came out of, but it was certainly out of the lottery profits. That was given by the previous government.

Ms. Bryden: If it came out of the provincial lotteries, it means that much less for the kind of recreational and cultural groups that have been receiving Wintario funds in the past. This leads to the concerns expressed here that there will be less money for sports, fitness, culture and recreation.

Hon. Mr. Eakins: My point is that in the year I have been minister the commitment has been increased, not decreased. It has been increased considerably, and I hope that will continue.

Ms. Bryden: All the lottery money is supposed to be committed. It may not all be spent in one year.

In regard to the move to Sault Ste. Marie, what plans are being made for looking after the staff who will be asked either to move or to switch to other jobs within the public service? Will they all be looked after?

Hon. Mr. Eakins: That is something Mr. Morris or Mr. Stothers can probably enlarge on more than I can. I will leave that to them, but I can assure you everyone who is involved in the move to Sault Ste. Marie is going to have the first opportunity for a job there, or we will endeavour to place them in other positions.

Ms. Bryden: In the move of the Ministry of Revenue to Oshawa, some guarantees were given to the employees. I suppose it is up to cabinet, but has anything been given to the employees yet in the way of guarantees?

Hon. Mr. Eakins: If I were one of those people, I would be thrilled with the move to Sault Ste. Marie. It is a beautiful city and a beautiful part of the province. One of the problems with Ontarians is that we do not get around and see our own province enough. These things should be shared across the province.

I strongly feel that many of the things associated with the provincial government do not have to be hugging the shore of Lake Ontario. I have travelled a great deal in northern Ontario and I agree that we should be sharing the facilities with them. I cannot imagine anyone not wanting to go to Sault Ste. Marie. It is a beautiful city.

15:30

Ms. Bryden: I agree that any new employees would very much like to join the staff there, but those who are not able--

Hon. Mr. Eakins: For those who are not able, who for some reason cannot go or do not want to go, I know that the corporation has talked about this. Mr. Morris can enlarge on that, but they are going to do everything possible to place them.

Mr. Chairman: Ms. Bryden, we have run out of time. I want to thank the minister for coming. I know how busy you are.

Hon. Mr. Eakins: Thank you. I enjoyed being with you.

Mr. Chairman: We have Mr. Morris and Mr. Stothers now. Perhaps we can continue with questions.

Mr. D. W. Smith: I want to ask for clarification on one point. Does the Trillium Foundation get \$15 million or \$50 million a year?

Mr. Morris: The Trillium Foundation receives \$15 million a year from the Treasurer.

Mr. D. W. Smith: I thought I heard the figure \$50 million. I wanted to clarify that.

Mr. Morris: I think that figure was over three years.

Ms. Bryden: The annual report for 1985-86 says that the total since it was established three years ago has been \$49,900,000.

Mr. D. W. Smith: The other thing I want to talk about again is capping. I believe there should be a cap on this as well. When the argument is that when you buy a ticket, you buy it to win the big money, that may be in the back of people's minds. I noticed in the Lottario odds that the odds of winning the first prize are one to 3.26 million. I think people would be quite happy to know they might get a little more money for second prize or even for the third or fourth prizes. I do not think the argument that we will lose a lot of ticket sales can hold much water. I have heard people in my constituency say that if you have never been accustomed to handling \$1 million, \$2 million or \$10 million and if all of a sudden you have that, it can change your lifestyle dramatically, and not always for the better. It creates a lot of confusion.

I guess I hope the Atlantic provinces will win a large one and will be satisfied that they have had a big winner, and maybe you can get them capped in the future.

Since my name was mentioned concerning some of my previous comments when I said there was politics in it, I believe one lottery that was started came under the direction of the previous Premier. To me, that is politics. If the Premier decides where these funds are to go under his direction, that is politics in its greatest form.

Mr. Leluk: Which one was that?

Mr. D. W. Smith: Lottario. Is that right?

Mr. Morris: I can only say that Lottario is a game operated by the Ontario Lottery Corp. only in Ontario and it would have to come under section 9 of the act.

Mr. D. W. Smith: If anyone were to make that statement, it was not in writing that the Premier had total control over the revenues of one lottery.

Mr. Morris: I have never heard that comment before, so I do not know.

Mr. D. W. Smith: That is why I asked to have it clarified today. To me that is very much politics. I guess we would be trying to get away from some of that.

Mr. Chairman: I think your answer was that no, to your knowledge, this was not so.

Mr. D. W. Smith: He said he did not realize that it was so. I guess it was a rumour.

Mr. Lane: Mr. Morris, I assume that the Manual of Administration was written at the time the lottery games were started. I also assume it probably has not been changed or amended since. Do you find it is wide enough to allow you to work the way you feel you should work, should there be some amendments or some changes or should it be rewritten at this point?

Mr. Morris: No. Our memorandum of understanding recognizes that we are a schedule 2 agency. We abide by the intent of the Manual of Administration. It is a rare situation that would come along that would require something a little different because we are in an entrepreneurial business. The committee members would realize that the Manual of Administration is written for the operation of the government; that is what it applies to. However, the intent, when you look at the Manual of Administration and its various sections, is clearly good business, control and so on. We have no trouble living with it; we do live with it. It is rare that we have to deviate at all, and then only in a minor sense.

Mr. Lane: You see no need for change at this point to give you a wider scope.

Mr. Morris: No.

Mr. Lane: As I said before, I am a great supporter of the lottery games and I hope we continue with the numbers we have, or maybe even more in the future. You indicated, of course, that you people cannot bring in a new game, because to do so requires an order in council. However, I would assume that if you saw one of the present games getting a bit thin and worn, you would bring in suggestions either about how to pep it up a little bit or about something to replace it with, and maybe an order in council would be forthcoming. Is that the way it would happen?

Mr. Morris: Mr. Stothers might like to answer that one, because he is very concerned that we keep the financial health of the corporation in good shape, and making sure our games are selling well is part of that.

Mr. Stothers: We have games that are what they call "in the mature stage." We are hopeful we can make significant changes or substantial changes to them to make them continue to be attractive, possibly introduce one or two new games and maybe drop one or two games that really are past maturity and are on their way down. It is no different from selling soap or any other retail product. It is the same thing as the movie industry. This is really an entertainment industry. In the movie industry, movies do not show forever, and you have to bring in a new movie. It is the same sort of thing.

Mr. Lane: On occasion, then, do you ask your employees to sit back and let their imaginations run wild as to what might replace a certain game or about how to pep up a certain game in order to make it more attractive to the public?

Mr. Stothers: They are doing it all the time. We have a marketing department that spends most of its time on research on how to improve.

Mr. Lane: Therefore, even though you have to have an order in council to bring in a new game, the idea really comes from the people running the corporation.

Mr. Stothers: Oh, sure.

Mr. Sheppard: This question might have been asked yesterday, but I would like to ask Mr. Morris how many green machines he has, how many he tries to put out each month and whether there is going to be a cap or limit on how many green machines he hopes to put out in the future or whether it is just an ongoing concern: the more tickets you sell, the more machines you will put out.

Mr. McKessock: What is a green machine?

Mr. Stothers: Mr. Sheppard is referring to the on-line terminals. We are getting rid of the green ones.

Mr. Leluk: Are we going to--

Mr. Stothers: I have no comment to that effect. They will be on-line terminals.

At the present time we have a few more than 3,500 terminals. We are currently receiving about 25 terminals a week from the supplier. By the end of this current fiscal year we expect our total network will be 4,000 terminals. I am pretty certain that during the budgetary process for the next year the staff will be approaching the board to extend the network further. I would think we would probably ask for another 1,000 machines, because we still seem to have the demand there and the economic justification for it. I think good business would dictate that as long as we can earn incremental revenues and profits with the addition of more machines, we would do so.

15:40

Mr. McKessock: Supplementary.

Mr. Chairman: I am sorry. We have a time limit on this. When we started getting into supplementaries, we got into a mess yesterday. Are you finished, Mr. Sheppard?

Mr. Sheppard: No, I am not. I have a couple more.

There has been a comment or two made about putting a cap on Lotto 6/49. I would like to see a limit of maybe \$3 million to \$5 million, but then once it gets to \$5 million or even \$2 million or \$3 million, that just seems to psyche people up and they start buying more tickets and it goes up higher. Is this the way you see it?

Mr. Morris: I suggested to the committee yesterday that I did not think it would be appropriate to cap the jackpot. Let the jackpot grow. It could grow to \$10 million and \$15 million, because we do not know how many winners we might get. We may have three winners and there will be no problem.

My suggestion was we let that grow. There is no question about it, when the jackpot gets to be \$10 million, people get excited and they buy tickets and they enjoy it. However, I do not think anyone would be hurt if they won only \$5 million as a maximum single prize. That is the thing. We do not want to cap the jackpot. We do not want to take the fun out of the game because that would not make sense. But if we did have a limit of \$5 million on a single prize and we only had one winner, the additional \$5 million or \$10 million could then be put into the second, third and fourth tier prizes to enrich them because sometimes we now have tremendous gaps for a difference of just one number.

Mr. Stothers: Let me just add to that. There are a lot of mathematicians in this province who, when you get up close to \$14 million and the odds are 14 to one, think that is the time to buy because they think it is a good investment. When you get them to buy the first time around, they start to figure out, "This is kind of fun," and you retain a number of them. You spread your base by letting it get up there. Obviously we have no control when it gets up.

The other thing is--I do not know whether it has been said or not--when it gets to \$7 million, the ratios reverse and the amount of money that normally would go into the first-place jackpot goes into the second and the amount of money that goes into the second-place jackpot goes into the first, so you slow down the growth of the first-place jackpot.

Mr. Sheppard: I talked to quite a few people and a lot of people do not buy into Lotto 6/49 until it gets up to \$3 million or \$4 million because, as you say, it seems to entice them.

Mr. Stothers: The odds are better.

Mr. Sheppard: The odds are much better and it is like a racehorse.

Mr. Stothers: Sure.

Mr. Sheppard: I have been talking to the past chairman of the Ontario Harness Horseman's Association and he says, "These damned lotteries interfere with the betting at the racetrack." Do you have any comment on that?

Mr. Morris: I had a comment from my chairman this morning in our own board meeting that horse players are not the people who buy lottery tickets.

I recall you asked me this question during estimates. Any problem the track people have is perhaps in their marketing. I notice a distinct change in the marketing of the Ontario Jockey Club these days. They are going after their business, which they did not do previously.

Mr. Sheppard: Right.

Mr. Morris: I would have to think there is room for both of us. When the lotteries started, the bingo games did not go out of business. They still prosper. The shows have not all closed down. I do not think we are single-handedly causing the demise of the racing industry. I really do not.

Mr. Sheppard: I think it is a great thing for money raised through the lottery to go to different events. Where did you get the idea to get those cars for anybody to race? I know where those cars are being built and I was in looking at 16 of them all lined up the other day.

Mr. Morris: Where did we get the idea? A very aggressive young lady, who is president of the company that makes them, came to see me. She was armed with statistics on the successes of other corporations that have used that type of vehicle. We are constantly looking for new and different things to attract people's attention, and after a lot of discussion, we proposed it to the board. We had the promotion and we have some excited winners out there. My only disappointment is that I did not win one.

Mr. Sheppard: If you do not buy any tickets, you cannot win.

I might say that the people who make those cars--they are red cars, and there is a reason for it--live in my riding.

Mr. Chairman: It is a very good purchase then.

Mr. Sargent: Are the terminals made in the United States?

Mr. Morris: No. The terminals we buy are made in Ontario, but they are an American design. They are made under licence.

Mr. Sargent: You buy most of your equipment in Canada, if you can.

Mr. Morris: We source as much as we possibly can in Canada.

Mr. South: Who is the distributor for the Kingston area? I have three questions. Do you want to hear them all first? What are the requirements to become a distributor? Is it realistic for one of my constituents to become a distributor now?

Mr. Morris: The distributor in Kingston is Tony Doherty. The requirements we have for a distributor are good business background and experience dealing with retail trade. The person must have financial strength by his cash assets or access to lines of credit of \$50,000, because he has to be in a position to buy the tickets up front. Regarding the third part of your question, there is always hope.

Mr. Stothers: It has to be full-time.

Mr. Morris: Yes.

Mr. South: Is it realistic to think Mr. Doherty may lose it and a new person get it, or is it realistic to think there may be another distributorship created?

Mr. Sheppard: Are you looking for a job, Larry?

Mr. South: I am always looking towards the future. I like to keep my options open.

Mr. Stothers: The distributor position is constantly under review.

Mr. South: By whom?

Mr. Stothers: By the board.

Mr. South: What is the name of the board?

Mr. Stothers: The Ontario Lottery Commission.

Mr. South: Who is on the commission? Do you know?

Mr. Stothers: Myself as chairman and our board members.

Mr. South: How long is your appointment?

Mr. Stothers: Three years.

Mr. South: When is it up?

Mr. Stothers: In about two years and six months. I think I have been on only about six months. The board advertises; then the board reviews the applicants. Between three and five suitable applicants are chosen and they are interviewed and the board makes a decision.

Mr. South: Is there any time limit on how long Mr. Doherty will have the distributorship?

Mr. Stothers: Not at this time, but that itself is under review.

Mr. Sheppard: If Mr. South looks up this book, there are the names and the list of all the people on the board and a little background on each one of them.

Ms. Bryden: Mr. Morris, I would like to know a bit more about what kind of information you have sent out to the employees who will be asked to move to Sault Ste. Marie. Have you notified them of the terms of the moving expenses and the help that will be given to them with selling and buying new houses?

15:50

Mr. Morris: The Manual of Administration covers the cost that can be covered in a move. It spells it out. The manual is reasonably generous--not overly so but reasonably generous--in handling the transfer of any employee in the service of the government of Ontario. We are in the throes of making that information available.

The day the announcement was made that the corporation would be moving to Sault Ste. Marie, the chairman, myself and the deputy minister met with the senior staff. We could not meet with everybody all at once or we would have had to shut the corporation down. We met with the senior staff so they could then go back and talk to their departments. Since that time, I have held a series of meetings where employees could ask me questions and we are working on putting together brochures and pamphlets describing everything that will be available.

Every employee in the corporation will be asked and invited to move to Sault Ste. Marie if he can possibly do so. Those who cannot will be given some sort of package. At the moment I cannot tell you what the package will be because we are working with some other ministries affected by moves to northern Ontario so that we can work out a fair and equitable arrangement for those who cannot go with us.

I have said to all our employees, and I think they know this, that the Ontario Lottery Corp. has been a good employer over the years. It is not our intention, and I do not think the board would ever allow it, to walk away and abandon people who have served us well and who have helped build the corporation.

Ms. Bryden: Do you feel the government has guaranteed to employees who are not able to move or who do not wish to move that employment will be found for them somewhere in the Ontario public service?

Mr. Morris: I do not think we can guarantee employment in the public service for one reason. Our people are not civil servants. They are crown employees. Under our memorandum of understanding, they can bid on restricted jobs, which means jobs that only government employees can bid on; outsiders

cannot. However, our people have no bumping rights in any of the union categories in the public service. I have looked at it very hard and needless to say I am very concerned about it. In looking at the numbers we are dealing with and the number of jobs that turn over in the civil service in the Toronto area every year, the number of people we have to place will be very small. I think when we are all done, we will not have any problems.

Ms. Bryden: Does the Manual of Administration apply to you legally or do you just follow it voluntarily?

Mr. Morris: By memorandum of understanding with the minister, we have committed that we will follow the intent.

Ms. Bryden: The intent.

Mr. Morris: Yes.

Ms. Bryden: Under the law relating to the kind of crown corporation you are, the Manual of Administration is not mandatory for you.

Mr. Morris: No.

Mr. Stothers: Previously, I was chairman of another crown corporation, the Ontario Share and Deposit Insurance Corp., under the previous government. We were in the unfortunate position of having to lay off 40 out of 64 people. Although we were not under the Manual of Administration, we made arrangements that were satisfactory to all parties at the time in helping them to get established either within the civil service or outside the civil service. We went out of our way to make sure that everybody was looked after. We feel we will do the same thing this time.

Ms. Bryden: Your employees do not have a union.

Mr. Morris: No.

Mr. Stothers: No.

Ms. Bryden: If jobs are not found for all those who are unable or unwilling to relocate, it may be necessary to set up a separate committee to help those cases, as has been done at some companies that had to close down.

Mr. Stothers: We would go a little further than that. We will set up a counselling service of people who are active in helping them find jobs.

Mr. Morris: We have set up a task force within our own corporation and high on the list of its functions is to come to grips with any separation problems we have. In addition to that, there is another task force of which I am a member that involves the other ministries that are moving. The human resources secretariat is represented there. The human resources secretariat people are meeting with our personnel people. The highest priority item we have as far as the move is concerned is to look after our employees. There already exist provisions for counselling, résumé writing, training, interview training, career counselling and all that sort of thing. That is all available within the human resources secretariat and it will be made available to us.

Ms. Bryden: There is one other area I want to deal with and that is the question of your advertising expenditures. Will you object if, when the bill is before it, the Legislature decides to add a cap on the percentage of

your sales that you can spend on advertising? There seems to be a lot of feeling that the advertising is excessive and that it is developing a gambling hype that may not be desirable. It may be useful to put some sort of limit on that. A lot of people are concerned about the pressure on people to buy, to win an automobile or an additional consumer product. A lot of people are worried about the social consequences of the over-buying of lottery tickets.

Mr. Morris: We discussed our advertising yesterday. We feel very strongly that we do not encourage over-buying in our advertising. Our advertising declined by 10 per cent in 1985. We reduced it by \$2 million. We now are in a position to do that.

I suggest caution about putting on caps. Recently, the state of Oregon had a finite amount that the legislature had set for advertising. They ran out of money and could not do any further advertising. Their lottery has serious problems right now in generating revenue. They are sitting there with a bill that restricts them and they cannot function. The state of Washington is next to the state of Oregon and in that situation advertising goes by air waves across the border. The people in Oregon are not realizing their own lottery and are going over and buying in the state of Washington. I urge caution.

Mr. Stothers: We are responsible to the minister, and through the minister to the House, for the operations. We are subject to audit by the Provincial Auditor. As a businessman, I recommend that you do not pick a one-line item and put a limit on it. You are going to end up with the danger of hampering operations rather than letting them take a natural growth helpful to all the people in Ontario.

Ms. Bryden: How do you place your advertising accounts? Do you use more than one firm? Do you use firms that are used also by the Ontario government? Do you have long-term contracts with the firms?

Mr. Morris: We deal with six advertising agencies, one for each game. All these agencies have been reviewed. We now are subject to the Advertising Review Board process, which we used this spring in appointing an agency. We have to abide by all the government policies and guidelines. The Advertising Review Board consists of three members, two of whom are from the lottery. One is the chairman of the ARB, one is from outside government and one is from Management Board. It is a competitive bid process.

Ms. Bryden: You put it out for tender for how long?

Mr. Morris: Our normal contracts are for three years.

Mr. Stothers: This is for one year.

Mr. Morris: I think it is three years.

Mr. Stothers: Perhaps it is three. I thought this one was for one year.

Ms. Bryden: Perhaps you can provide us, through the clerk of the committee, with a list of the agencies that now have contracts for each of the six lotteries.

Mr. Morris: I think you will find them listed in your fact sheet.

Ms. Bryden: Perhaps it is in the fact sheet.

Mr. Sheppard: It is on page C5.

Ms. Bryden: We just got the fact sheet the morning we started to sit. It would have been nice if we had had it earlier, but that may not be entirely your fault.

Mr. Chairman: Thank you, Ms. Bryden. That brings us to adjournment time unless we have unanimous consent of the committee. I do not see unanimous consent. With that, Mr. Stothers and Mr. Morris, I thank you for coming to us. You were very patient and answered the questions very directly. I assume that if we want to have you back again you will be happy to come. That sounded like a statement, did it not? It was really supposed to be a question.

Mr. Morris: I would be glad to come back as long as it is after Thanksgiving. I am leaving next week to go on vacation.

Mr. Chairman: We will try not to spoil that.

Mr. Stothers: In fairness, perhaps I can say that I am newly associated with the Ontario Lottery Corp. and from what I have seen of it so far, and from what I have seen of other corporations, this is a very well run corporation. It does a good job for Ontario in comparison to other lotteries and I think the staff is to be commended for its work and foresight. I can say that almost as an outsider. I am impressed with the way it is run.

Mr. Chairman: Have you told that to Rosemary Speirs?

Mr. Stothers: It would not matter what I told her.

Mr. Chairman: I found that too.

Mr. Stothers: She phoned me up and said, "You must be a Liberal appointee." I said, "Other than the fact that I was appointed by the previous government to two other chairmanships, you can say what you like," so she just hung up.

Mr. Chairman: No further questions, thank you.

Mr. Stothers: Thank you again.

Mr. Chairman: Members of the committee, we have no other meeting scheduled before the House resumes and to obtain some material we have asked for from various delegations we will probably sit on the first Wednesday when we come back. That is the day after we resume. It is a freebie though. No pay for that one, Eddie.

Ms. Bryden: Do we have a researcher who can summarize today's and yesterday's material? It would be very useful.

Mr. Chairman: I think that will be done and perhaps presented to us on the Wednesday we meet again.

The committee adjourned at 4:02 p.m.

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Reference

STANDING COMMITTEE ON GOVERNMENT AGENCIES

ORGANIZATION

WEDNESDAY, OCTOBER 15, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

VICE-CHAIRMAN: Lane, J. G. (Algoma-Manitoulin PC)

Hayes, P. (Essex North NDP)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

McKessock, R. (Grey L)

Poirier, J. (Prescott-Russell L)

Rowe, W. E. (Simcoe Centre PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Swart, M. L. (Welland-Thorold NDP)

Substitutions:

Epp, H. A. (Waterloo North L) for Mr. South

Johnson, J. M. (Wellington-Dufferin-Peel PC) for Mr. Lane

Mitchell, R. C. (Carleton PC) for Mr. Rowe

Sargent, E. C. (Grey-Bruce L) for Mr. Poirier

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, October 15, 1986

The committee met at 10:16 a.m. in room 228.

ORGANIZATION

Mr. Chairman: We have a quorum, such as it is. I would like to welcome the new members to the committee. They are in the majority by far. Let us begin by briefly reviewing what the committee has been doing all summer.

Mr. Sargent: We did not go to China.

Mr. Chairman: No. We did not even go to Vancouver, Eddie. That was your suggestion, and I thank you for that suggestion.

You have a memorandum in front of you that gives some background on what the committee has been doing. We reviewed four agencies: the Ontario Development Corp., the Ontario Land Corp., the Ontario Arts Council and the Ontario Lottery Corp. We have not met with the Ontario Arts Council. We just had the one day on the multicultural end--that is right. There was no further information requested on the Ontario Arts Council or on the Ontario Lottery Corp. We did require further information from the Ontario Development Corp. and the Ontario Land Corp.; so we expect to have them back some time in the near future. They are slotted in on the timetable that you have of the proposed schedule of meetings. Let us briefly go over that. Today is supposed to be for organization. The staff is going to talk to us about the agencies we reviewed.

Mr. Mitchell: I read through this earlier. I was not clear about whether the Ontario Lottery Corp. was being invited back. I am getting many queries through my office these days concerning the way the lottery funding will be changed. I do not know whether it is within our area of responsibility, but I would like to know exactly what the profits are and how that money is being allocated. I do not know whether I would be skirting outside our terms of reference, but I am getting a little concerned about the amount of correspondence I am getting with regard to the rumour out there that grants are being cancelled and so on.

Mr. Chairman: We went over all that when we had the committee before us.

Mr. Mitchell: As a new member, I apologize.

Mr. Chairman: We had an opportunity to ask questions. The questions were quite extensive. The committee seemed satisfied. It did not think there was any reason for the corporation to come back, but that is not etched in marble. If the committee in its wisdom decides it would like to have them back, there is no reason why it cannot.

Mr. Mitchell: I am sure you are getting letters from the cerebral palsy sports association and various associations like that. With the number of people playing the various lotteries we are running in the province, if

there is not a healthy enough profit to ensure at least the continuation of programs the way they have been going, then is the lottery corporation making the money we think it is? If it is not, why have it?

Mr. Chairman: I expect the answer to your question lies somewhere within the ministries rather than the Ontario Lottery Corp.

Mr. Mitchell: I suspect it does. I may be running a little outside of the terms of reference.

Mr. J. M. Johnson: On that point and for the benefit of the new members, would it be possible for our research assistant to provide us with copies of Hansard for the days of hearings of each of these reports?

Mr. Chairman: We can do that. We will do our best to bring you all up to date on where we have been.

Mr. J. M. Johnson: Then Mr. Mitchell could read the report relating to the specifics. He may get some of his answers there. Also, I see in our proposed schedule that we have to write reports. If the researcher has condensed any of the reports into some form, there is probably something summarized that could bring us up to date quickly.

Mr. Chairman: Or we will have something very shortly.

Mr. Malcolmson: We can provide all the briefing materials the members used before.

Mr. J. M. Johnson: No, do not give us too much. Just give us--

Mr. Chairman: Just what the findings were.

Mr. Malcolmson: Okay.

Mr. Ferraro: Mr. Mitchell and Mr. Johnson bring up a good point. The background information is important. If you have not done so already, it may be advisable for the committee to get a submission or have a brief presentation from someone in Mr. Nixon's office as to what is specifically proposed with excess funds or with the funds in the Ontario Lottery Corp. I have been getting many similar requests in my constituency office, as I am sure we all have. Perhaps a submission would suffice.

Mr. Chairman: We are dealing with two things. We are to review the agency itself, to understand its function. I do not know whether it is within the mandate of this committee to investigate the disbursements that are done through the Treasurer (Mr. Nixon).

Mr. Ferraro: I think it is. If we are dealing with the agency that produces the funds, where do you draw the line as far as the mandate is concerned? Either we can look at that agency in its entirety, including disbursement, acquisition and administration of funds, or we cannot. I respectfully suggest that would be within our mandate.

Mr. Chairman: I am not saying it is not. I am saying I do not know whether it is. We had the Minister of Tourism and Recreation (Mr. Eakins) here to answer our questions. There seemed to be some satisfaction on the part of the committee. We exhausted the question period anyway.

Mr. Ferraro: Fine. I do not want to go over yesterday's news again.

Mr. Chairman: I do not want to see us reinvent the wheel. However, there is nothing we cannot do if we ask for it, time permitting.

Mr. Ferraro: That is why I am suggesting a written submission.

Mr. Sargent: We went into real depth and got everything out on the table. However, if the last three speakers, Mr. Mitchell, Mr. Johnson and Mr. Ferraro, see the need to recall them, I do not see anything wrong with that. After you read the review of that, there are a lot of things you may want to ask more questions about.

Mr. Mitchell: That is fair. I am new to the committee; so some of the answers may be there.

Mr. Sargent: I thought it was a good meeting, Mr. Chairman.

Mr. Chairman: That is what we are trying to point out in this submission. The committee at the time did not feel there was any need to have the two groups back. With the other two groups, the Ontario Development Corp. and the Ontario Land Corp., we felt it was necessary to do so. After we get a little further along, if members feel it would be better to have the Ontario Lottery Corp. or the Ontario Arts Council back, so be it. What we have done so far is not necessarily the end of it. Before we submit our report, we might have to have other groups back as well. I am trying to bring you up to date on where we have been before we decide where we are going.

Mr. D. W. Smith: Just going back to what some of these other members have made comments about, they referred to Bill 38 and how the revenues from the Ontario Lottery Corp. would be spent.

The areas in which these revenues can be spent have just been expanded. In the House, the Treasurer said they would not take anything away from sports, recreation and fitness, but they had so many revenues generated from the lottery corporation now that they felt they should be expanding into other areas that maybe needed more help. I just wanted to make that comment.

I also wanted to ask whether we could have the Agricultural Council of Ontario before this committee for review and to question it on some of its activities. Is that a possibility?

Mr. Chairman: We do have a course planned by the committee, if we can perhaps go on a bit and get to the very point you make. Can you just bear with me for a moment?

I have seen the submission on the committees and agencies we have reviewed and the proposed schedule for this sitting with 10 meetings possible. Today we are supposed to be reorganizing and, from what I have seen, I expect there will be a large number of new members on the committee, so we will have to go back and redo some of the work we have done.

Mr. Sargent: Are we permanent members here now?

Mr. Chairman: I do not know, Mr. Sargent. I have no idea who is who. I think these two are, but I do not know about you guys. I am not sure about Mr. Hayes. Are you a permanent member? How about you, Mr. Sargent?

Mr. Sargent: I do not know.

Mr. Chairman: You do not know. Mr. Ferraro?

Interjection.

Mr. Chairman: We ran into a little difficulty in the House yesterday, so we never got to orders of the day and to the point of making motions. I suspect Mr. Nixon has a motion appointing members to committees, but we have not got to it yet. We might today. Today you are here by the grace of God, Mr. Nixon or the respective whips.

As you will see, we had an arrangement in the first section under October 15 with respect to what we were to be doing today. We had agreed that each member of the committee would have a nomination for the agency which was to be reviewed, and it came to a total of 11 agencies. Only four have been selected.

The committee unanimously agreed to do it this way. At present, the only ones who have yet to select are: Mr. Gregory; Mr. McKessock, who is no longer here; Mr. Poirier, who is no longer here; Mr. Rowe, who is no longer here; Mr. Smith, who is on the list; and Mr. South, who is no longer with us. We have a whole new ball game here.

Mr. Ferraro: Is there something about this committee that nobody wants to come back to, Mr. Chairman?

Mr. Chairman: It must have been something I said. I do not know what it was.

I do not know how we are going to do this fairly. It looks as if there are four, if I may use the word, Liberal choices, and there appears to be one Conservative choice, and that is it.

Mr. J. M. Johnson: Why not allow the members who will be on the committee who were not on the previous committee to make their selection, allow the selection of any member who is still on the committee to stand, and throw out the selections made by members who are no longer on the committee?

Mr. Chairman: I am open to suggestions. We could throw them all in the air and where they land, we could pick one.

Mr. J.-M. Johnson: On October 22, you will find a selection of agencies. Between now and next Wednesday, the members can select agencies which they wish to pursue and disregard the ones made by members who are no longer on committee.

Mr. Chairman: The only difficulty there, Mr. Johnson, is that this is a totally nonpartisan committee. We try to be fair and make choices in proportion to the representation on the committee. Since there have been so many changes, if we rewrite the thing and say, "We have had three choices from the Conservative party, but because we have three new members of the Conservative party, let us give them three new choices," we will be nowhere. I want some kind of logical explanation. Mr. Smith, for example, is entitled to his choice, as is Mr. Sargent.

10:30

Mr. J. M. Johnson: Why cannot the members present their choice to the committee and then the committee can make the determination of the half dozen or dozen that have been proposed?

Mr. Chairman: You will notice on the second date, October 22, it says "final selection of agencies for next review." We are also meeting again with the Ontario Development Corp. on that date. Could I suggest that members come into the October 22 meeting with their suggestions as to committees and agencies that should be reviewed? From there we will have to select them on the basis of a vote. Is that fair?

Mr. Epp: Next week.

Mr. Chairman: Yes.

Mr. Sargent: Who picked these out?

Mr. D. W. Smith: We still have to remember that there were three committees chosen from the Tory representatives so far. Is that not right?

Mr. Chairman: I think so.

Mr. D. W. Smith: Marland, Leluk and I cannot name the other one.

Mr. Chairman: Were there not two from the New Democratic Party?

Mr. Sargent: Caplan was here.

Mr. Chairman: There were two from the NDP and three from the Conservatives. That was five. We have done four of them and there is one to come, which we were unable to get to because of illness on the part of the chairman. In effect, there should be one Conservative choice left and four Liberal choices, plus the chairman.

Mr. Epp: That was the illness of the chairman of the multiculturalism committee, not of this one.

Mr. Chairman: Not this chairman. I am never ill. I sometimes wish I was. I am open. We can do it two ways. Everybody can come in with suggestions and we can choose from them or we can have suggestions from the representatives I have mentioned, four Liberals and one Conservative, plus the chairman.

Mr. Epp: Let us do it that way. If the Liberals do not have enough next week, the other members can add them, so we can get a list together. I know you try to be very fair about this. I was here, not in the summer, but when the original selection was made. I do not see it as a particularly partisan issue. Everybody had his or her individual input rather than a partisan input. I think that was it.

I do not feel very strongly about any one of them. Once you get into it, you might find one of them a member from another party has picked much more interesting and revealing than the one you have picked. I do not see any problem; so let us do it next week. The Liberals will try to come up with their suggestions, and if they do not have enough--

Mr. Sargent: Do you want a motion on October 22 to go ahead on that one?

Mr. Chairman: I would like a motion that says the Liberal Party should come up with three suggestions and the Conservative party with two. I know that is not quite what you said.

Mr. Epp: No, it is not.

Mr. Chairman: Are you suggesting--

Mr. Epp: No, that is what I said, but I also said that if the Liberals and the Conservatives do not have enough, then anybody can throw some more in the hopper. I will make that motion.

Mr. Chairman: Actually, the figures are two PCs and four Liberals; so we should have six suggestions.

Mr. Sargent: Why are you putting four Liberals on it?

Mr. Chairman: There have been no Liberal suggestions as yet.

Mr. Epp: With respect to agencies we want to look at.

Mr. Chairman: You made one, Mr. Sargent, but we disregarded it. I forget why. The Ontario Lottery Corp. was not here. Remember we were going to do the Urban Transportation Development Corp.

Mr. Sargent: That was only if anybody wanted a trip to Vancouver.

Mr. Chairman: You suggested it, but we did not get to it; so it is open again.

Mr. Epp: The public accounts committee looked at that; so it is a duplication.

Mr. Chairman: We will go over those lists in a minute. We want four suggestions from the Liberal members and two suggestions from the Conservative representatives. All right?

Mr. Hayes: Being a brand-new member and having found out only yesterday that I am a member of this committee, I have not had an opportunity to talk to Tony Grande. Can you tell me whether our party has suggested two agencies?

Mr. Chairman: One of them has already been done. Mr. Grande suggested the Ontario Advisory Council on Multiculturalism and Citizenship and Mr. Swart suggested the Ontario Lottery Corp. They have had their two. We have not got to the multicultural one, so in effect you do have one. If you want to change that choice between you and whoever your other member is, I suppose it will be okay with everyone else.

Mr. Hayes: I do not think we will want to change anything.

Mr. Chairman: Then you are content that there have been two choices from the New Democratic Party?

Mr. Hayes: I suppose I am. If that is the normal procedure, I do not have any problem with it.

Mr. Chairman: Whether or not it is the normal procedure, we were

having a little trouble rattling around with some 400 agencies, so I recommended that each member of the committee have the opportunity to recommend one agency. We followed that procedure. What has really screwed us up is that all the members are changed.

We have proceeded about halfway. We have done four and attempted to do five of the 11. In effect, that leaves us six more choices. I do not think we can go back and rewrite it and have two new choices from the New Democrats, because they have already had their choices, just as we have had three choices of the five Conservatives on the committee; we are entitled to only two more. The Liberal Party has not made one suggestion as yet, so it should have four.

Mr. Hayes: I see what you are saying. Okay.

Mr. Chairman: I have a motion from Mr. Epp that we come back next week with recommendations, two from the Progressive Conservative members and four from the Liberal members, from which we will make our selections.

Mr. Sargent: What are you going to start with; the Ontario Development Corp.?

Mr. Chairman: Let us carry this vote first and then we can get into the groups that are available to us. Is there any discussion?

Motion agreed to.

Mr. Chairman: In the submissions you have before you, there is a list of possible agencies for review. The second one is a summary of responses to the committee questionnaire. We sent out letters from the chairman of the committee to many of the agencies, asking them to report on several things. For example, their budget was one, when they had their last meeting, a copy of the minutes of their last meeting and that sort of thing. We thought we could use that as a supplement.

The first submission lists possible agencies for review. You can select from that. If you wish to go to the second summary, and you have some background on that, you might want to pick a suggestion from that list. You do not have to do that today, but these two memoranda will give you something to work on.

Mr. Malcolmson: On pages 6 and 7 of the memorandum entitled List of Possible Agencies for Review, there is a list of all the agencies that have been reviewed by the predecessor committee. You could go over those again, but once they have been reviewed in the past few years, you would not want to make those your choice, as you would be duplicating a lot of work of the predecessor committee.

The agencies listed in this memorandum are chosen for fairly obvious reasons. They are agencies that nobody knows about or that have been subject to particular controversy in the past year. This is to serve as a guide for possible choices.

The second memorandum is entitled Summary of Responses to Committee Questionnaire. We sent that out because we compiled a list of about 70 agencies that nobody had ever heard of. The intention was to find out whether any of them were still meeting. If they were not, then the committee might wish to review them and suggest that they be phased out.

10:40

These two memoranda, Summary of Responses to Committee Questionnaire and List of Possible Agencies for Review, are meant to be guides or aids to help the members make their choice.

Mr. Chairman: Mr. Mitchell, you had a question.

Mr. Mitchell: It is all right. I will let it pass for the moment. I am finding this rather interesting too.

Mr. Chairman: Any other questions so far?

Mr. D. W. Smith: In regard to the agencies on this memorandum here, has the Liquor Control Board of Ontario never made a presentation to a committee?

Mr. Malcolmson: The Liquor Licence Board of Ontario has been reviewed but not the LCBO.

Mr. D. W. Smith: How long has it been in existence?

Mr. Eichmanis: Since the 1930s, I believe.

Mr. Malcolmson: Pardon me. The LCBO was reviewed in 1980. That was six years ago.

Mr. D. W. Smith: Maybe only one of these on here has been reviewed within the past five or six years.

Mrs. Marland: When the Ontario Land Corp. was before us, I requested copies of its overheads. I wondered whether the committee had received those yet. I have not received them in my office.

Mr. Chairman: Have we got them?

Clerk of the Committee: They were sent out, I believe.

Mrs. Marland: To the offices?

Clerk of the Committee: Yes.

Mr. Chairman: You will notice on October 29 we have the Ontario Land Corp. scheduled to come back in.

Mrs. Marland: Yes, that is why I wanted the overheads. Please send me another set.

Mr. J. M. Johnson: I want some consideration to be given to the Pesticides Advisory Committee, which was reviewed back in 1978. Maybe a researcher can pull a copy of that. At present, there is quite a controversy in Ontario because of the controls between the federal and provincial governments on pesticides. The Department of National Health and Welfare has control of the national program. Quite often, it does not coincide with the provincial one and there is quite an overlap of permission to use herbicides and pesticides.

In Ontario we do not allow certain chemicals to be used, but we allow

importation from Mexico and California of fruit and vegetables that have these same chemicals sprayed on them in those places. It is a federal initiative that allows those fruits and vegetables into the country, but Ontario does not recognize it. Ontario farmers cannot produce at the same level. That is the thrust I would like, and I am not sure how we can arrive at it. I feel that the Pesticides Advisory Committee should be reviewed in the very near future.

Mr. Chairman: Have they been done before? When were they done?

Mr. J. M. Johnson: In 1978.

Mr. Chairman: Again, Jack, in accordance with the motion we had, perhaps you and Bob and Margaret--there is a fourth.

Mr. J. M. Johnson: Are you considered a Tory or are you neutral?

Mr. Chairman: I am neutral, but I do have a choice. There is one other Conservative yet to come--we are going to have a surprise--and then you and Bob Mitchell. Margaret has already made her choice, so we four will get together and determine what our recommendation will be. It may well be that one.

The reason we are doing it this way is to try to make it not quite so lopsided. If we wanted to, by sheer weight of numbers, any two parties could get together and dominate the whole thing. We have tried to avoid that by doing it this way, according to party, which I think is fair.

Mr. Sargent: I believe this will be nonpartisan, but aside from that, it is scary to see what the hell has been going on here. Some of these boards have had no attention since 1981. It is unbelievable. If the press got hold of this story to find what the hell is going on and who is running this show here, there is no review of any of these boards at all. This is an important committee you have here, to try to get this thing in line.

As you go through these pages, there is a hell of a need here for an in-depth study of what is going on. Nobody is controlling anything here.

Mr. Chairman: As you know from the meetings we have had so far, in which we covered four agencies, it is a monumental task to--

Mr. Sargent: I thought they were well done.

Mr. Chairman: Yes, they were. However, it is a monumental task to--

Mr. Sargent: Margaret and Dave were here. You were impressed, were you not, Margaret, with the depth we went into on the lotteries and things?

Mrs. Marland: Yes. I was on this committee last year and felt the same way then. I think this committee has a tremendous responsibility to the people of Ontario but I also recognize, now serving on the committee for my second year, it is not something that you can expedite if you want to do the job properly. It requires going in depth and it is a very big responsibility that all parties very much share.

Mr. Sargent: A lot of these guys could be getting \$2 million a year too, the same as the former Clerk. We do not know and nobody is looking into the matter.

Mr. Chairman: The research you gave just showed me one that has, I think, \$1.5 million. It will require a trip to Ottawa. Jack?

Mr. J. M. Johnson: One of the problems is that many of the members are not knowledgeable about the number of agencies, boards and commissions in Ontario. While the comments were made that we have not reviewed some of them since 1980-81--even prior to that--there are some that have never been reviewed. John, how many boards, agencies and commissions do we have?

Mr. Eichmanis: Not counting the ad hoc ones which could be created and disbanded at any time, there are approximately 530.

Mr. J. M. Johnson: When there are more than 500 boards, agencies and commissions, then it is not a matter of reviewing a commission every five years. Some have never been looked at.

Mr. Chairman: If we do 50 a year for the next 10 years, we will cover them all. That might be a little tougher. At any rate, we are at least trying to make a stab at it here by picking some. By doing them on an individual basis, we will come up with those that people have individual concerns about.

Mr. Ferraro: Excuse me if I detract from the impetus of your speech, but I think Jack brings up an excellent point. I know we can get a list of commissions, but is it possible to get a list of which ones have been dealt with by this committee?

Mr. Eichmanis: It is at the end of the memo.

Mr. Ferraro: I am not talking about this year.

Mr. Eichmanis: It is on pages 6 and 7 at the end of the memo entitled List of Possible Agencies For Review.

Mr. Ferraro: Thank you.

Mr. Chairman: I hope when you are making your choices you will keep in mind what ones have been done.

Mrs. Marland: Further to that question, does that mean anything that is not on pages 6 and 7, prior to 1978, has not been reviewed?

Mr. Chairman: My recollection is that we were not reviewing them before 1978. I do not think we were.

Mrs. Marland: I see. Some of these have been reviewed two or three times.

Mr. Chairman: It was a new Progressive Conservative initiative that we review agencies as a result of the 1977 election. It was brought about by a minority government.

Mr. Ferraro: Yes, but you created 490 of the agencies.

Mr. Chairman: And we did a fine job.

Mr. Ferraro: You did a fine job.

Mr. Chairman: It was a fine job, that is right. If you do not do anything, you do not need to clean up afterwards. You are experiencing that now, are you not? Yes, okay.

Back to square one. On October 22, I hope we will come up with a final selection of agencies for the next review. That is to take place during the next spring break.

Mr. Malcolmson: That is correct.

Mr. Chairman: That is after January. Bear in mind, gentlemen, that the names you selected will be done when the House recesses in December. We need the lead time to enable staff to get the background material. Okay?

Next week we will be doing the Ontario Development Corp., which will be coming back for another runaround. We left a few questions and we wanted them to bring us back further information. One of them concerned their accounting procedures and that sort of thing.

Mr. Malcomson: That is listed right here.

Mr. Chairman: Yes. You have it on that other memo.

Mr. Sargent: Did we do the ODC?

Mr. Chairman: Yes.

10:50

Mr. Sargent: Was the Ontario Land Corp. part of that?

Mr. Chairman: No. We did the Ontario Development Corp. and then the Ontario Land Corp. The Ontario Land Corp. is coming back on October 29. It is on your proposed schedule.

Mr. Sargent: I see it, yes.

Mr. Chairman: There were some questions left hanging with both of those. On November 5 we will have a staff briefing regarding the Ontario Advisory Council on Multiculturalism and Citizenship. They were supposed to have come but did not because of the illness of the chairman of that council. We will be briefed on that by our staff, and on November 12 we will have the Ontario Advisory Council on Multiculturalism and Citizenship, and on November 26, if required.

Mr. Sargent: Who says that should take three weeks?

Mr. Chairman: We have had a number of inquiries on it. I do not know whether you have. A number of people from my party asked to be informed when they are going to be here. It was assumed by the staff that we could require two weeks. The schedule says "if required."

Mr. Sargent: Is it that big a problem that it requires three weeks? Is there enough interest to have three weeks on it?

Mr. Chairman: We are talking about only two hours each week for two weeks. That is a total of only four hours.

Mr. Sargent: Who made that decision?

Mr. Chairman: It is not a decision; it is only suggested. You will notice, it says in brackets "if required." It is felt that if we do not get started until 10:30 on November 12, which is our normal procedure--we are supposed to start at 10, but we do not do it too often--we will have roughly only an hour and a half to spend on it. It is thought that we could well require additional time. There seems to be a lot of questions on that one. It is roughly equivalent to the time we spent on the other boards when they were here during the break. We were spending full days with them.

Mr. Mitchell: May I ask a question about the November 12 meeting? It has to do more with scheduling. I suspect the biggest percentage of our members will be out of town on the day before, the 11th. I am only guessing, but it may be a little difficult for them to be here the morning of the 12th.

Mr. J. M. Johnson: I concur with that. The northern and eastern members will have a problem being in by 10. On the evening of November 11, nearly every member will be at a legion hall. It says "if required" on November 26. Why do we not exchange those two dates and leave the 12th open?

Mr. Mitchell: We do not have a schedule in between.

Mr. J. M. Johnson: What is happening on November 19?

Mr. Mitchell: There is nothing scheduled on the 19th.

Mr. Chairman: What happened to the 19th? Did we lose it? Why do we not scrap November 12 and put in November 19?

Mr. J. M. Johnson: That is an excellent idea.

Mr. Chairman: I have solutions for all your problems, Jack.

Mr. J. M. Johnson: That was why they left it out.

Mr. Chairman: I see, to give me the option to make an executive decision. We will not meet November 12 then. How is that? Does everybody agree with that?

Mr. Mitchell: It is a logical breakdown.

Mr. Chairman: It means we can all get boozed up in the legions the night before and we will not have to worry.

On December 3, we hope to have a draft report on the five agencies reviewed to date. That includes the Advisory Council on Multiculturalism and Citizenship. Staff will have some fun getting that one ready. That will include the five agencies reviewed to date, with a draft report from staff.

On December 10, they will then come through with the draft report and on December 17, if it is necessary--we could possibly have final approval on December 10, could we not?

Mr. Eichmanis: Yes.

Mr. Chairman: That would be roughly in time for Christmas. We will present the report in the House and debate it for six weeks. Okay?

Mr. J. M. Johnson: It sounds good. Before you leave that, I have one question of the researcher on the Ontario Development Corp. next week. How does that tie in with Bill 24, An Act to amend the Small Business Development Corporations Act, which will come to the House today, in relation to the Northern Ontario Development Corp. and the Eastern Ontario Development Corp.? Are they part of the Ontario Development Corp. or are they separate?

Mr. Eichmanis: They are separate.

Mr. J. M. Johnson: There is no involvement?

Mr. Eichmanis: Sorry, yes. I thought you meant the small business development corporations.

Mr. Mitchell: The Eastern Ontario Development Corp. comes under ODC.

Mr. J. M. Johnson: All right, but the Small Business Development Corporations Act, Bill 24, changes northern and eastern Ontario.

Mr. Chairman: No, the SBDC is an entirely different program. It has nothing to do with this at all. It comes under the Ministry of Revenue. It is not an agency, board or commission.

Mr. Johnson: It is my understanding that Bill 24 provided extra funding for northern and eastern Ontario.

Mr. Chairman: As a matter of fact, it does not. It provides a cutdown on southern Ontario and leaves northern and eastern Ontario roughly the same.

Mr. J. M. Johnson: If you cut down southern Ontario, you cut down the ODC.

Mr. Chairman: No. You are trying to talk about two different things at the same time. ODC and SBDC are entirely different. There is no connection whatsoever. The small business development corporations program is an individual plan on its own; it has nothing to do with ODC. They have no hand in approving anything at all. It is all approved by the Ministry of Revenue.

Mr. Johnson: And ODC is under--

Mr. Chairman: It is under the Ontario Development Corp., which is a board in itself. It is an arm's-length board.

Mr. Eichmanis: The Ministry of Industry, Trade and Technology.

Mr. Chairman: Does that come under Industry, Trade and Technology? SBDC is entirely different.

Is there anything further? To review, Margaret, I do not think you were here when we passed the motion. In view of what we decided on agencies, boards and commissions, it is determined that next week we will come back with two recommendations from the Conservative members and four from the Liberal members to continue our work.

Mr. Sargent: Out of the 12 pages of unlooked-at material, we can pick any four of those for the Liberals?

Mr. Chairman: Yes.

Mr. Sargent: Where is the most trouble? John and Pat, what do you think needs the most looking into?

Mr. Malcolmson: The 12 on the list of possible agencies for review were the ones we thought would be immediately obvious choices, for various reasons. They are either unknown or they are high profile. They have been in the news recently.

Mr. Sargent: That is a good guideline?

Mr. Malcolmson: I think so.

Mr. Eichmanis: As for the list of the other agencies, as you may recall, this questionnaire was sent out to what the committee considered to be rather innocuous or low-profile agencies that did not appear to be doing a great deal. The committee asked the agencies to respond as to how many meetings they held and looked at their minutes and what they were doing to get some kind of indication on whether the committee would want to look at some of these less well known agencies.

There are two options. One is to look at the less well known agencies; one is to look at those that appear to be in the news with difficulties surrounding them.

Mr. Sargent: Of all the years I have been on committees, the last two meetings that we have had have been most informative and productive for me. Looking in depth into the Ontario Land Corp. and the Ontario Lottery Corp. was very productive. These people respect the power of a committee such as this, and it is necessary that we investigate.

Mr. Chairman: It has been an interesting summer.

Mr. Malcolmson: On the list of agencies that the committee might wish to consider is the the Trillium Foundation, which allocates lottery moneys. If that was one of the things committee members were interested in looking at, that would be a possible choice.

Mr. Mitchell: They are specifically directed, more than the rest of them.

Mr. Malcolmson: Yes, it allocates a small portion of the lottery funds.

Mr. Chairman: If it is at all possible, we would like to have those selections by October 22. Are you with me, Mr. Sargent?

Mr. Sargent: Say again?

Mr. Chairman: If at all possible, we would like to have the recommendations by next Thursday.

Mr. Sargent: Okay.

Mr. Chairman: It would be very helpful to our staff in beginning work on them. Let us bear in mind that these will be dealt with in January or February or whenever. It is too cold in Sturgeon River in January. Bear that in mind.

The committee adjourned at 11:01 a.m.

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STANDING COMMITTEE ON GOVERNMENT AGENCIES

AGENCY REVIEW

THE DEVELOPMENT CORPORATIONS

WEDNESDAY, OCTOBER 22, 1986



STANDING COMMITTEE ON GOVERNMENT AGENCIES

CHAIRMAN: Gregory, M. E. C. (Mississauga East PC)

Ferraro, R. E. (Wellington South L)

Grande, T. (Oakwood NDP)

Hayes, P. (Essex North NDP)

* Johnson, J. M. (Wellington-Dufferin-Peel PC)

Leluk, N. G. (York West PC)

Marland, M. (Mississauga South PC)

Mitchell, R. C. (Carleton PC)

Ramsay, D. (Timiskaming NDP)

Sargent, E. C. (Grey-Bruce L)

Smith, D. W. (Lambton L)

Substitution:

Bossy, M. L. (Chatham-Kent L) for Mr. Ferraro

Clerk: Arnott, D.

Staff:

Eichmanis, J., Research Officer, Legislative Research Service

Malcolmson, P., Research Officer, Legislative Research Service

Witnesses:

* From the Development Corporations:

MacMillan, K. G., Director, Loan Administration Branch

MacKinnon, D., Executive Director and Chief Executive Officer

Mitchell, J. M., Director, Loan Application Branch, Ontario Development Corp.

* Johnson, D. J., Acting Chairman, Ontario Development Corp.

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GOVERNMENT AGENCIES

Wednesday, October 22, 1986

The committee met at 10:20 a.m. in room 228.

AGENCY REVIEW:
THE DEVELOPMENT CORPORATIONS
(continued)

Mr. Chairman: Good morning, gentlemen. We have with us today from the development corporations David MacKinnon, executive director and chief executive officer, William Copfer, manager, financial services, Mr. Kaye MacMillan, director, loan administration branch, John Mitchell, director, loan applications branch of the Ontario Development Corp. and Douglas Johnson, chairman of the ODC.

Welcome. I do appreciate your coming back. There were several outstanding items which we asked about, and I know you have all the answers today. Would you like to carry on and go through the information we have and we will ask questions as we go or at the end, whichever way you prefer.

Mr. MacKinnon: We have some transparencies, which I hope will be useful. They are essentially duplicates of the material you have. I am advised that some of the members of the committee have changed since we last met. There have been some new members, so we have left with your officials several copies of the presentation material from the last meeting. They can distribute that rather than have us go through it again.

Mr. Chairman: There is no point in going through it again. We should be dealing with the outstanding items on which you were asked to come back with additional information. I know Mr. Grande has time constraints, so perhaps we could get to that information.

Mr. MacKinnon: At our last discussion there were five additional informational requests that we were asked to fulfil: first, a list of those from the municipality of York who had applied in the past four years for ODC loans or guarantees; second, a list of businesses that received loans from the ODC in the past year; third, a list of businesses whose loans were forgiven; fourth, a specific question on whether the Ontario Development Corporations Act restricts the ODC with respect to rolling loans together; fifth, figures on the percentage of loans in a given year that are written off.

The list of those from York who have applied in the past four years has been provided and is in the members' hands. It was a short list because our operations are so heavily skewed outside Metropolitan Toronto. Is that satisfactory?

Mr. Grande: Given the criteria under which you are working, I suppose that is it, a very minimal involvement. My understanding is that the manufacturing sector is not there for you to be any more involved, although I was hoping you would be involved in other areas.

Your name is the Ontario Development Corp. If a particular manufacturing company producing a product comes to you and you approve of the plans, then

certain grants and loans may be made. What happens if a community comes to you with a community development in mind? It is the Ontario Development Corp., so could it not be community development? You may say the law under which you are working restricts you, but I am trying to suggest to you we should look at that wider aspect. From my point of view, the city of York from which I come requires that kind of community development and community development programs from the Ontario government to improve itself.

Mr. MacKinnon: The community approach to development has not been and is not the approach the government took when it set up the corporations and, over the years, it has not really evolved. It is fair to say that in some communities, particularly in northern Ontario, we are the major source of commercial credit. In that sense we are involved in the development of the whole community, but I think those situations are limited to northern Ontario. There are no parallel situations in the south.

However, there are programs of the ministries of Industry, Trade and Technology, Treasury and Municipal Affairs, all of which have a significant bearing on community economic development. There are several specific programs along those lines, but we do not administer or manage any of them.

Mr. Grande: Very limited, I may say.

Mr. MacKinnon: There are also some federal programs with considerable scope but, again, not within our direct purview.

Mr. Grande: That is what I was looking for. Obviously, if the businesses are not there, you will not get the applications.

Mr. J. M. Mitchell: We referred to this at our last meeting, but there is the new ventures program for startups, which covers a much broader scope than our traditional service in support of manufacturing. I anticipate much more activity from the city of York under that program, which was introduced in early September and is administered by the chartered banks. It is a small program but it covers retailers. In that regard, we will see a lot more activity in the city of York.

Mr. Grande: I will make sure I spread the word.

Mr. Chairman: It would be a good source of funding for a rapid transit line along Eglinton.

Mr. Grande: That is what I am trying to get at, but they do not get involved in that.

Mr. MacKinnon: A list of businesses that received loans from ODC last year has also been provided. Has that been made available to committee members at this stage? On perusal of the list, if any member who has questions phones my office and asks either for me or for Mr. Goodyear, we will be pleased to respond to any detailed inquiries members may have.

Mr. Chairman: I do not think we can go over this today.

Mr. MacKinnon: We think it would take a while, sir.

Mr. Chairman: Perhaps we could leave it to individual members to look over the list. If they have any requests on loans in their area, they may want to question the gentlemen directly.

Mr. J. M. Johnson: I have a question of clarification. It is my understanding that this information is published on an ongoing basis. I seem to recall receiving publications of companies that have received loans, the terms and so on.

Mr. MacKinnon: What you had is what we are required to produce and make public. The minister is required to do that once a year.

Mr. J. M. Johnson: Do all the members receive that information?

Mr. MacKinnon: They will not have received it yet. This is very recent. It is only in the last few days that the list was compiled and the letter sent by the minister. Eventually, all members will get it.

Mr. J. M. Johnson: On an annual basis?

Mr. MacKinnon: Yes, but I doubt that they would have it yet, even though the minister has signed the letter.

Mr. Bossy: I have a question about the list you provided. Under the column headed Type of Loan--forgive me, you have produced a list of these types of loans, but the abbreviated forms get a little bit confusing. There is quite a variation of abbreviated forms of types of loans. Is there such a thing as a list of these so we can identify the type of loan?

10:30

Mr. J. M. Mitchell: A legend?

Mr. Bossy: Yes.

Mr. J. M. Mitchell: Certainly we can supply that. That is run by the computer. I do not have a copy in front of me, but I guess you are referring to INCTL or DIR as examples.

Mr. Bossy: Yes, and there is INCGIE.

Mr. J. M. Mitchell: That is an incentive guarantee. Certainly, we can supply you with legends.

Mr. D. W. Smith: What does HELP mean? Just literally help?

Mr. J. M. Mitchell: Exactly. That was a very small pun.

Mr. MacKinnon: We will supply the legends to the committee directly.

The third request to creates a few more problems. That was the request that we provide you with a list of the businesses whose loans were forgiven. Perhaps I can make a brief digression for a moment and explain why we have concerns about that. We are taking the term "forgiven" as being synonymous with written off.

We write off loans from our books periodically after the board makes the write-off decisions, but when we write off a loan, that does not make any difference to how we deal with the business. We deal with a business after the loan is written off in exactly the same way was we did before. We seek recovery, we continue to have discussions with officials and we try to recover the money. Sometimes we are successful long after the loan is written off.

Our concern is that if we provide a list of loans that have been written off, borrowers would then feel comfortable that they had a comeback in terms of our efforts at further recovery. They would feel: "You have written the loan off anyway. Why can we not forget about it? Why do we not just carry on with this after it is written off?" We are concerned that if we provide a such a list, that would be the effect.

Our second concern is that if we provide a list of loans that we had written off in relation to some enterprises, that could be construed as a violation of privacy because individual businesses could be affected. For example, if it became known that we had written off a loan to some of those enterprises, under certain conditions their credit rating could be affected and they in turn would have the basis for a suit against us.

Our suggestion is that if the committee wishes to explore that subject in further detail, exactly how we write off, and inspect the minutes of the board on the actual write-offs, there are two possible ways that could be done that we sense would satisfy our concerns and meet the committee's needs. It could be done by the staff of the committee, that is, material could be made available to the committee staff, or the committee could ask an officer from the Provincial Auditor's office to examine the minutes of the board and report back using his judgement of the write-off procedures and the processes.

We are anxious to provide the information that the committee requested, but for the two reasons I mentioned I do not think we can. There are other ways available to satisfy the questions members had at the last session, however, and those are two I would put forward.

Mr. Chairman: I can appreciate your concern for the privacy of the customer, but I have to suggest to you that these could be obtained by Speaker's warrant, if we wanted to. I do not know if anybody feels that strongly about it, but the information was definitely requested. I will have to leave it to members of the committee as to what their feelings are. Does anyone have strong feelings on it?

Mr. J. M. Johnson: With any company that is still operating there is a problem, as you have mentioned, but in the case of a company that has gone bankrupt per se, it would not be a problem to disclose that information, would it? If they go bankrupt, is it not all public knowledge?

Mr. MacMillan: My comment on that is that even if a company has gone bankrupt and it is written off, we may be pursuing outside security such as personal guarantees, and this could jeopardize possible collections or give the guarantors some reason to try to resist collection of this kind of security.

Mr. J. M. Johnson: Personally, I do not think we should pursue it to the extent of a Speaker's warrant. I do not think it is necessary. If an individual has a concern about a particular company, there are other methods--

Mr. Sargent: I cannot hear you back here.

Mr. J. M. Johnson: I do not think we should pursue this issue with a Speaker's warrant. There is no major issue that I can see. I am satisfied with the explanation that has been given.

Mr. Sargent: Where is the motivation for the Speaker's warrant? The chair?

Mr. Chairman: No. I suggested to the gentleman who told me they would prefer not to answer because of privacy that, if a request was made for this information and if it is the feeling of the committee, we have that vehicle open to us. I am not suggesting it be used, but it depends on how strongly members feel about it. That is what we are trying to determine right now. I gather there are not too many who feel very strongly about it.

Mr. R. C. Mitchell: I was not a member of the committee at the time the question was raised, and there does not appear to be anyone here this morning who was party to the raising of that question, at least not from the comments I am hearing. I do not have any concern at this time or a feeling that I need the information.

As the committee deliberates and as we discuss other issues, if those who raised the question initially wish to raise it again and make us all--those of us who are new members--party to their concerns, we may feel differently. At the moment, I share the point of view of my colleague Mr. Johnson. Frankly, the idea of a Speaker's warrant at this time is fair notice, but I do not see any need for it.

Mr. D. W. Smith: I cannot remember who raised the question in the committee. I do not know whether I asked it. I do not think I did, but I am not sure. On the back page of this presentation you have given the members here this morning, you go back to 1977-78 in loans written off. Do you not have more relevant figures? The last year you have here is 1979-80. Have you written off every year since 1979-80?

Mr. MacKinnon: If I could move on to those slides, I can explain what those figures are. They are a response to quite a specific request made at the last meeting. The request was that we identify a bundle of loans that had been made in a year and trace those loans for the subsequent seven- or eight-year period and determine the total write-off. As I recall, Mr. Chairman, that was your question.

Mr. Chairman: Specifically, I wanted to see a comparison of the amount of money written off and the amount of money loaned overall.

Mr. MacKinnon: We have that.

Mr. Chairman: I was not being specific about a particular loan. I do not want to know--

Mr. MacKinnon: Your request, as I recall it, was that a parcel of loans, the loans identified in one year, be traced through the life cycle of those loans and that we identify the portion of the total package that had been written off over the entire life cycle.

Mr. Chairman: I wanted to see what your true loss ratio was.

Mr. MacKinnon: I can come to that.

Mr. R. C. Mitchell: Before we proceed, I was looking very quickly through the loans that have been granted. I have two quick questions, looking specifically at the Eastern Ontario Development Corp. Is the money that is provided by the government farmed out to the various development corporations on the basis of demand, or is there a set amount assigned to each development corporation each year? I am not sure of that and I would like to know.

Mr. MacKinnon: It is basically demand. There is a rough budgetary target for each development corporation but the funding is spent in accordance with the demand in each region. If there were a deficiency in one corporation and a surplus in the other, we would change the funding patterns during the course of the year.

10:40

Mr. R. C. Mitchell: Say, for example, a company applies for a loan under the umbrella of the Eastern Ontario Development Corp. because the business is going to be located in that development corporation area, but it also has an office elsewhere, outside that development corporation where it applied for a loan. Would it be granted under the same umbrella? It just hit me. I am looking at something called Turbofuro Inc. It has three loans. On two of them the address is Burleigh Falls and on one it is Toronto. Toronto does not come under the area of the EODC. It is not a great sum of money, but none the less, if there is a so-called expected amount of money for a development corporation and some of it goes to another area, I have a question about how it happened to fall in here. It is not a great sum of money, but it is there.

Mr. J. M. Mitchell: The corporation involved relates directly to the area in which the plant is located. I do not know that particular deal. It is probably all eastern Ontario and it may be a computer glitch. I could look into that one. If it is in Trenton, that is EODC regardless of whether the head office might be in Toronto.

Mr. R. C. Mitchell: There are two for Burleigh Falls and one for Toronto and it is the same company. I would like to know whether it is a glitch or what happened here. It is not a great sum of money.

Mr. J. M. Mitchell: What is the name of the company?

Mr. R. C. Mitchell: Turbofuro Inc. It makes hot tubs. I did not realize there was that kind of demand for hot tubs in eastern Ontario.

Mr. D. J. Johnson: We very often get applications from a regional firm, particularly in the east, and the application will come from its lawyer or accountant who happens to be in Toronto. We end up writing to the address of the accountant and it appears on our computer records for that reason.

Mr. R. C. Mitchell: I could accept that except, suddenly, we have two with one address and the third one with the other.

Mr. D. J. Johnson: It is a good question and we will get back to you on it, but I am sure it is all in the EODC location.

Mr. D. W. Smith: This is going back to the original question. You do not feel you can give us the company names. Can you give us the variety of reasons for writing off some of these loans and whether it was eastern Ontario, northern Ontario or the ODC? Does that get too specific for you?

Mr. MacKinnon: No, that is no problem at all. We can provide it for the three corporations and by industry group. We can provide in any form you wish anything that aggregates the numbers and does not involve individual names.

Mr. D. W. Smith: I do not want to frustrate the system in inquiring when I should not be if you are still dealing with a company. The committee

would like and maybe should know why some of these loans are written off. If no one else wants to pursue it further, I will have to back off a bit, but I would like to see all the reasons for writing off in the different regions.

Mr. Sargent: I feel awfully good about the fact that this board protects the taxpayers by its loan policies. I have had some very satisfactory dialogues with Mr. MacKinnon and I thank him for his concern for the jobs of people who have been trying to raise funds. I feel happy about the process. Do you still give forgiveness loans?

Mr. J. M. Mitchell: No. The performance loans, as we called them, the forgivable loans, were sunsetted in 1973. They were restricted to particular areas within the province: municipalities, townships and the like. The vehicle we use in place of the old forgiveness loan, in selective instances where there is a need demonstrated and there are substantial economic benefits to the province, is the interest-free, principal-deferred vehicle. In any event, the loan is repayable. They have some holiday from debt service, but they have to repay and it is a secured loan.

For the committee's information, the forgivable loan was forgiven over a period of six years at 10 per cent per year in each of the first five years and 50 per cent at the end of the sixth year, assuming they met certain commitment levels.

Mr. Sargent: In the past you had a practice of making very large loans to firms in the excess-profits brackets, Westinghouse and companies such as that; US corporations that have had forgivable or interest-free loans. Are you saying that is not our practice now?

Mr. J. M. Mitchell: Those are essentially ad hoc arrangements, and in 1979 the government introduced an employment development fund program that in some instances provided forgivable loans against certain commitments. They were for the majors, the Westinghouses of this world and so forth. Again, that program was sunsetted in 1981.

Some of the other ministries occasionally have programs that are structured around the old forgivable loan, in smaller amounts, but again of an ad hoc nature. There is not a program that comes to mind that has this structure in place. Within its mandate, ODC does not have such a program today.

Mr. Sargent: How many loans do you process in a year?

Mr. J. M. Mitchell: For all corporations, we run around 600 to 700 in our standard programs. We did have a small program and were getting up to almost double that, but they were small dollar amounts.

Mr. Sargent: Is this in the eastern and northern ends?

Mr. J. M. Mitchell: Yes.

Mr. Sargent: What is the financial picture of the overall receivables and losses? Is there a plus there?

Mr. MacKinnon: Overall, the corporations generate a cash surplus. I believe the current figure is approximately \$10 million. Annually, we return to the Treasury a little more than we take out. I have left a package of information that describes the financial structure of the business in some detail with the clerk of the committee for distribution. Basically, we cover

our loan losses with rentals from our industrial parks and with interest income. Those enable us to cover the losses I am about to discuss and still generate the surplus we have.

Mr. Sargent: In your current operations, is the demand up with this new government? Are the requests for loans up?

Mr. D. J. Johnson: From my exposure over the years, I sense that, yes, we see a rebounding in the economy in Ontario, as we are all aware. Because of that, we have significantly more demand all across Ontario. There is more activity out there.

Mr. Sargent: Is it more northern, more eastern or more general?

Mr. D. J. Johnson: It is in general. There is a lot in the south. Because of the automotive industry, the south is booming. My exposure is to the north, and we are seeing better development there, but the south is booming.

Mr. Sargent: If we go back a few years, there was a yardstick that you would lend up to \$25,000 per job. Is that being used now?

Mr. D. J. Johnson: Not exactly, no. We do not have any specific yardstick. We look at the overall benefits. While we consider what it is costing us or what we are tying up per job, it is not a yardstick at all.

Mr. J. M. Mitchell: I might add to Mr. Johnson's remarks that to date this year compared to last year, the north and the east are drawing a greater volume of our direct funding than they did last year for the same period. They have been very active. I am talking about direct funding. We are using more guarantees in southern Ontario, but there are certainly greater demands in the north and the east to date this year.

10:50

Mr. Bossy: To follow up on that, you mentioned forgivable loans earlier. I have not heard the word "grant" used. In the loans that we see here, is there any combination of loans or grants from other departments or ministries that tie into making up the total business you are trying to fund?

Mr. MacKinnon: We ourselves give no grants, but I think it is fair to say that in many of the proposals with which we are involved the federal government is involved. It has a major grant program operating through most of the nonmetropolitan parts of the province. Many of the cases in which we are involved involve companies that have accessed that program.

Mr. Bossy: I understand delayed-interest loans are still being made through the Ontario Development Corp., whether it is two years, or whatever it might be, but they are totally repayable. That is the key.

Mr. MacKinnon: Yes.

Mr. Bossy: That question comes up many times from people inquiring about forgivable loans. The first thing they are looking for is a forgivable loan.

Mr. J. M. Mitchell: For grants.

Mr. Bossy: For grants as well. That is why I brought the word "grants" into the picture. That is enough on this.

On that page--and presumably you are going to come to it--it says, "Note #1--Prior to 1985-86, write-offs had been driven to a degree by both budgetary and commercial reasons." I would like a word of explanation on that.

Mr. MacKinnon: We anticipated your question. Up until the budget the Treasurer (Mr. Nixon) gave in the fall of 1985, the policy generally was to set during the budgetary process a rough level of write-offs. We would write off the loans that had deteriorated the most until we reached that level. That was part of the budgetary process. The figure was negotiated.

In the fall of 1985, the policy changed. The government's policy then became to write off the loan at the point when it became apparent we would not collect. Previously, under the old system, the effect of the government's policy was that we did not write off a loan until the company was in receivership or otherwise gone. Now we write it off at an earlier stage, at the point where we think we will not recover it. That is the effect of the change.

Mr. Bossy: That is also on the basis of trying to restructure and even to keep the business still going?

Mr. MacKinnon: No. This is just an accounting treatment. It is important to make that point clear. When we write off a loan, it does not in any way affect how we deal with the company itself. After the loan is written off, we still seek to collect money from them if it is owed. At some point, we stop, but if they owe us money, we are with them for a very long time, including after the loan is written off.

What we do is try to present an accurate picture of loan write-offs and the accounting decisions relating to them, to show the actual value of our portfolio. It is strictly an accounting treatment. We determine when a loan is written off. It is designed to say to the shareholders, or others, that the value of this loan is seriously impaired and is unlikely to be realizable. It does not affect anything we do with the company.

Mr. Bossy: Will you explain the budgetary and commercial reasons which would be a difference?

Mr. MacKinnon: At that time, under the old system, during budgetary negotiations we would establish a level we would write off. At that point we would go through the portfolio and make a judgement on which loans were in the most serious difficulty for commercial reasons. Then we would write off those loans up to the level determined during the budgetary process and would write off no more during that year. The commercial side of that process lay in identifying which specific loans we would write off up to the level that had been determined as part of the budgetary process. I think I have that right; do I, Kaye?

Mr. MacMillan: Yes.

Mr. Bossy: You also say, "During 1986, the policy was changed to include in the write-offs an amount which would reduce the carrying value of doubtful loans." In other words, that is the interest portion. Is that what I would read into that?

Mr. MacKinnon: What the government is seeking to have us do is to have a financial description of our portfolio on the books that reflects the actual conditions of the loan without qualification. That is what is meant by our estimated realizable value. What we do now is go through the portfolio and identify all the companies from which we do not think we will get the money back or where there is a significantly reduced value to be attached to the loan because of its inability to fully repay. That is what we carry on the books.

Previously, because of the budgetary ceiling on the amounts written off, the high probability--Kaye, correct me if I have this wrong--is that we were carrying some loans on the books which were seriously impaired or were worthless. In other words, the budgetary level may have been too low in some years.

Mr. Bossy: Going back to the deferred-interest payments, with the tremendous pressure there is right now for financing or refinancing, do you have many requests for a further deferment? In other words, the original contract may be two years when the interest and the payments start, but after two years, because of circumstances or whatever, the company might have been able to realize and progress towards its projections and then finds it would need another one or two years. Do you accord further deferred interest or do you add years on?

Mr. MacKinnon: The short answer is that we do. Mr. MacMillan, who is responsible for the administration of our loans, can reply more fully.

Mr. MacMillan: The answer to the question is yes, we do have quite a number of requests to extend the interest-free period on loans, but we also decline quite a number of these requests. We look at the need and if we do not see the need there, we do not agree to it. If we see there is a development aspect or a maintenance aspect, if it is a necessary thing for the business, then we do consider and agree to some of these.

Mr. J. M. Johnson: May I suggest we listen to the presentation and then ask questions?

Mr. Chairman: I think we have got into quite a few of them. Mr. Bossy raised a few questions that led to other questions. If it is the wish of the committee, we can go on and hear them all and then come back to them. Are you agreeable? Carry on.

Mr. MacKinnon: Mr. Chairman, what we did in terms of the request that you made of us last year--or last month; I am sorry. It seems that way--with respect to our loan losses, we did two types of calculations. First of all, we did a year-over-year comparison of the loans written off in relation to the amount of loans outstanding both in terms of dollar volume and the number of borrowers.

Effectively, this chart presents that information. As you can see, by and large, my figures are self-explanatory, but you can see, and particularly in response to previous questions, the extent to which demand in terms of the number of borrowers has been growing in recent years. We are up nearly a third in the last three or four years. That is an aside.

11:00

This is the total volume of our loans outstanding at the end of any

given year. This is the number of those loans written off during that year. This is the amount of money involved and these are the percentages. In 1985-86, we wrote off 6.5 per cent of the total number of borrowers. Their loans are written off to a total of \$6.9 million. You can see the effect of the difference in accounting policy described here in terms of the difference between 1985-86 and the preceding year.

Generally speaking, under the previous accounting rules, we wrote off something in the order of 2.5 per cent to three per cent of the portfolio in terms of the number of borrowers and corresponding amounts in terms of the total dollar values per year.

Mr. Sargent: What is the percentage there?

Mr. MacKinnon: It is 2.9 per cent of borrowers.

Mr. Sargent: What is the bottom figure?

Mr. MacKinnon: It is 4.5 per cent.

Mr. Sargent: Does that mean you are batting .400 then?

Mr. MacKinnon: No.

Mr. Sargent: I am watching the World Series. That is why I asked.

Mr. MacKinnon: We like to think of our ratio as much higher than that, sir. It means we are batting in the order of 95, 96, 97 per cent.

Mr. Sargent: That is better.

Mr. MacKinnon: I would like to repeat for the benefit of new members some of the figures we talked about last month. Basically, a commercial bank will write off something in the order of three quarters of one per cent per year of its loan portfolio outstanding. A high-risk private sector lender will write off something between one and two, or one and 2.25 perhaps is a fairer figure. We are in this range, which, if you averaged it out, would be something in the order of three. That is how we are stacked in terms of the risks each of the major lenders assumes.

Mr. Bossy: What about the Federal Business Development Bank? What is its percentage now?

Mr. MacKinnon: John, do you have those figures on FBDB?

Mr. J.-M. Mitchell: No, I do not have the percentage. They have experienced substantial losses over the years. Not this past year but the year before, I think they had losses of \$60 million. In aggregate, I think it is in excess of \$100 million. As a result, they have been very quiet of late and concentrating on much larger proposals than they did historically, on a much more selective basis. They have to go to the private sector to raise the funding and then put it out in the development sense. It is a pretty tough role to fill and not compete with the private sector.

Mr. Bossy: I ask because of the risk factor and the comments from people who come into the office and are discussing borrowing. They look at ODC and FBDB as sort of a lender of last resort when their own banker does not approve; but it has got to the point, especially with the FBDB, where if you can qualify for them, you can qualify in your own bank.

Mr. J. M. Mitchell: Yes. They are coming under a lot of pressure from Roynat, as a case in point of a term lender, which is a consortium of Royal Bank and National Bank, that they are treading on its turf. They are in a difficult position. They call themselves a supplementary lender, not a lender of last resort.

Mr. Bossy: That is how it was set out originally.

Mr. J. M. Mitchell: We used to see them in a lot of the deals we did and we do not any more.

Mr. Chairman: I have a list here. The agreement was we would carry on and let the gentleman proceed, Mr. Bossy. Mr. Smith was on a list ahead of you.

Mr. Bossy: I am sorry.

Mr. Chairman: Carry on, please.

Mr. MacKinnon: Yes. This is the first part of the request. These are the loans written off, the percentage of both in terms of the number of borrowers and the dollars in the last several years.

Our second sheet comes at the matter from a similar--

Mr. Sargent: I am sorry, that only goes to 1978, does it not?

Mr. MacKinnon: Yes. We went back only to 1979-80 in the case of this chart. We wanted to get enough time so you could see the trend.

Mr. Sargent: Your picture from 1978 on is--

Mr. MacKinnon: I will come to that in a moment. We have just arrayed the more recent six or seven years so you could get a fair picture of the trend without any imbalances caused by particular years.

You can see some imbalances, certainly. For example, in 1981-82, you can see the dramatic rise because of the recession in 1981-82. You have to get a period of six or seven years to work those out of the cycle.

Mr. D. W. Smith: When you talk about 1984-85 to 1985-86, do you feel that was a real economic downturn that made you write off most of them or was it just the accounting practices that were asked by the government?

Mr. MacKinnon: The \$6.9-million figure reflects the very much more conservative accounting practices introduced, as per the footnote here, in the budget in 1985. Effectively, we should perhaps draw a line here to separate everything that was done before the accounting rules were consistent.

Mr. D. W. Smith: Are you saying before that there were two different policies?

Mr. Ramsay: Do not put the man on the spot.

Mr. Chairman: Since we are all jumping in here, I have a question I am dying to ask you. On that list you have, you show accumulated totals of loans. In other words, in 1979-80, you had 1,531 loans. In 1980-81, you had 1,734 loans. Is that a cumulative total?

Mr. MacKinnon: Right.

Mr. Chairman: In other words, by the time you get up to 1985-86, you have a cumulative number of 2,459 loans.

Mr. MacKinnon: That is the number outstanding on the books at that time.

Mr. Chairman: If you are accumulating that for a total, why do you not accumulate the total on the right?

Mr. MacKinnon: I want to come to that as we look at the next chart. That is the question that I know you asked the last time.

If I can make one observation that is important to observe, these are the loans we make in our own right as a corporation. Committee members will recall that we do a great deal of lending for other departments and agencies on an agency basis. These reflect loans made in our own name, in our own right.

Mr. Sargent: I am sorry. Would you say that again?

Mr. MacKinnon: You will notice in the materials presented at the last meeting, we really had several different kinds of business. We make loans in our own name, but we also make loans on a contract basis for other departments and agencies.

Mr. Sargent: Other ministries?

Mr. MacKinnon: Exactly. For example, we do a book publishers' loan program for the Ministry of Citizenship and Culture. We are heavily tied into the lending programs of the Ministry of Northern Development and Mines, etc. These figures reflect only the loans we are making in our own names, in our own right. They do not reflect our contractual arrangements.

Mr. Sargent: They are mostly in industrial?

Mr. MacKinnon: These would be industrial, tourism and secondary industry, generally.

Last month you asked us to track a parcel of loans for several years. We had a speculative discussion in terms of the figures as to what our actual losses were, if you took the life cycle of a loan. As I recall the discussion, you asked about the term of our loan. I think the figure was an average of seven years. We talked about our losses in any one year and we wondered what they would look like if we multiplied the term of the loan by the losses in any one year to get a total loss picture over the life cycle of our loans. That was the gist of your question. Is that correct?

Mr. Chairman: I am not quite sure it is but go ahead.

Mr. MacKinnon: What we have done here is we have traced the loans made in three years--that was some time ago--so we could track those loans nearly through their complete life cycle. From 1977-78, we would have very few of those loans on our books at this point. What we have done is tracked in our computer system what happened in subsequent years to all the loans made in that year. That is what this chart tells you.

For example, in 1977-78, the development corporation made 353 loans with

a dollar volume of \$44.8 million. Of that package of loans, in subsequent years, 84 were written off, involving \$5.3 million. In percentage terms, therefore, of all the loans made in 1977-78, in subsequent years we wrote off 23 per cent and we wrote off almost 12 per cent of the dollar volume of the loans made in that year.

11:10

Mr. Chairman: Is that not a more accurate way of accounting than what you have done on the previous page?

Mr. MacKinnon: I think they are equally fair. What I reported to you on the previous basis is the conventional commercial practice. If you look at a trust company, a bank or anything else, what each reports in that year is the proportion of the portfolio it writes off during this year. I agree with you that if you want an accurate picture, in terms of what happens to a loan and the entire life cycle of the loan, then this is exactly what happens.

Mr. Chairman: I am not an accountant, but whatever the accounting practices are, let us talk about money. For example, the new government wrote off Suncor. That does not make the debt disappear. I guess it does, but it is still a debt and it is still money gone down the tube. The nature of my question was, let us have the true picture, and I think you have done it here. You have said that out of 353 loans, 84 went down. To me as a taxpayer, that is a more accurate way of accounting than is this idea of basing a number in a year of what was written that year, because I guess a lot of the loans will be written off in subsequent years, will they not?

Mr. MacKinnon: That is exactly the point that I think you were seeking to question us on, that is, how many were written off in subsequent years as opposed to the one year. This is the answer. I should emphasize this is strictly an accounting treatment only. We would still deal with the companies after the loan was written off; so a very small amount of money would be recovered every year, even from companies after we had written them off. It would not affect these figures in a significant way, but our actual dollar losses would be a little bit less.

Mr. Chairman: A touch less. I do not want to get you off track of what you are trying to do, but for the recession years, which, I guess, were 1981 to 1983, I imagine your figures were much more interesting.

Mr. MacKinnon: They may be, but you cannot tell very much from them yet, because the loans have not gone through their full life cycle. The reason we stopped at 1979-80 was that we wanted to get either the full cycle of the loan or close to it.

Mr. Chairman: Notwithstanding that they had not run through their life cycle, the fact is that perhaps between 1981 and 1983, even if they have not outrun themselves, you will have a certain percentage of write-offs.

Mr. MacKinnon: May I use the blackboard? In case that point came up, I was going to try to explain on the blackboard what happens during a recession. What happens in a recession is complex.

Mr. Ramsay: Can you put the board straight on?

Mr. MacKinnon: Sure. Let us suppose you have 1980 here. If you have

dollars up here--suppose this graph reflects economic conditions--if you have a good year in 1980, it slides down and then comes back up, as roughly it did.

I will describe the practice of Canadian banks for a moment, because it is comparable to what happened in the development corporations over the years. The Canadian banks write off their loan losses. They do not write off what actually happens. They write off on the basis of a five-year moving average, so that in periods of downturn, such as this, their write-offs are understated. Their graph of write-offs would look something like this. During a period of downturn, their write-offs would be less than you would expect them to incur because of economic conditions.

Mr. Sargent: Also because of the 21 per cent rate.

Mr. MacKinnon: That reflects more the way the federal government requires the banks to write them off. It requires them to write off the loans according to a five-year moving average. In our case previously, under the old accounting rules, we were required to write off a negotiated amount. Negotiation is part of the budgetary process, which is effectively the same situation as the federal government's rules require of the banks. They did not write off what they actually lost or what merited writing off; they wrote off something much less.

It is possible that during a couple of those years we would have written off fewer than were warranted as well, but it is also possible, later on when things had improved, we would written off more than you would have expected at that time. It is strictly an accounting device. At least in both situations that the federal government requires banks to do and what we were required to do, it was basically a negotiated kind of situation as to how much you write off. The difference with our change is we are required to write off what we believe merits being written off, regardless of any formulae, negotiations or anything else. That is the difference. I am not sure I have explained that clearly enough, but that is basically what has happened.

For the first time effectively, the figure that you can be quite sure at any given time reflects commercial reality is our most recent year figure. Previously, in some years it would be overstated and in some understated.

Mr. Chairman: Should not this method you talk about be reflected in your annual report? Should it not be done in that way? In other words, you do not show figures like that, but there is a clause which reads, "loans written off and guaranteed loans paid," which indicates they do not actually show in your financial report, because they are written off by the Treasurer, so they do not show in your financial report. In other words, it is a little rosier than it really should be.

Mr. MacKinnon: Again, as I recall it, we touched on that briefly the last time. In our case, the Treasury covers us for everything we write off. It is the Treasury that assumes the actual cash loss.

Mr. Chairman: But you lose it.

Mr. MacKinnon: Yes, but we still write it off.

Mr. Chairman: But you do not show it in your annual report.

Mr. MacKinnon: Can you explain that, Mr. MacMillan?

Mr. Chairman: If I did that, I would go to jail.

Mr. MacMillan: Yes. The amounts of write-off are shown in our annual report as an expense. As a separate item, there is a revenue item shown from the Treasury of Ontario showing the amount they have paid to us. Basically, it appears in two places, as a revenue from the Treasury for the amount they are paying to us and as an expense on our operating statement as an amount written off.

Mr. Sargent: May I ask a supplementary to that? What happens to all the assets? Do you have an auction sale once a year? What do you do with all that?

Mr. MacMillan: We cannot wait for once a year. We have them every week.

Mr. Sargent: Do you really?

Mr. MacMillan: We just deal with each situation as it runs into difficulty. If a business goes into receivership, we go through the regular legal process of sending out notices. We appoint a receiver and we try to make a sale as quickly as possible to see if we can get the business going again.

Mr. Sargent: You must have quite an inventory now of millions of dollars of properties now. Do you?

Mr. MacMillan: Not a million dollars worth of properties that are for sale. As these things come up, we dispose of them as quickly as possible once the business goes into receivership.

Mr. Sargent: Could the former owners not buy them back?

Mr. MacMillan: If they have the money, they can buy them back. They are eligible to bid on them as well as anyone else. Our process involves generally a public notification of the sale and anyone is--

Mr. Sargent: I have a problem right now I am bothering Mr. MacKinnon about. We have a plant in Walkerton which has 46 employees. They have put in \$1 million worth of equipment over the past year, and if they do not get 200,000 bucks from you guys, Mr. MacKinnon, we will close them up next week. What happens if \$1 million worth of assets goes down the drain because they cannot get \$200,000? I know you have been good to them so far. I am not saying that, but we have to--

Mr. MacKinnon: Generally, sir, it does not go down the drain. This is a very common pattern. I am sure any of my colleagues will elaborate on it. If somebody, for whatever reason, puts too much money into a business in fixed assets, the business will fail for other reasons. They will not be able to sell the output or for whatever reason. At that point, he or she goes bankrupt. Then there is a sale of the assets.

Mr. Sargent: The bank calls their note.

Mr. MacKinnon: Whatever. The bank calls their note and that throws them into receivership. They will go out of business and the resulting assets will be sold, but they will be sold to a new buyer at a lower price. That buyer may be able to make a profitable run at the business at that lower price. So the sale of the assets by somebody who goes out of business does not

necessarily mean--and in many cases, absolutely does not mean--the business dies on the spot. It means somebody else buys it and because he or she gets the assets at a lower price, there is a greater prospect of success for the business. That is a very common pattern.

11:20

Mr. Chairman: I have a supplementary to your supplementary to my supplementary. A small businessman has an ODC loan and, for whatever reasons, he cannot pay his loan off. He goes bankrupt. Assets are reduced to, say, 10 cents on the dollar or something such as that. The same businessman can pick up his own assets for 10 per cent.

Mr. MacKinnon: The legal theory is that bankruptcy sanitizes an individual. If he is declared bankrupt, he has gone through it. Then, yes, he can.

Mr. Sargent: You are still pregnant.

Mr. D. J. Johnson: While what you say is legally and technically correct--it could happen--it very seldom does. Entrepreneurs put in every last penny they have to try to save their dream and they do not have anything left to buy it back.

Mr. Chairman: Mr. Johnson, you had a supplementary.

Mr. J. M. Johnson: Yes, I have a supplementary to that. I had the personal experience in my riding with a casket company and it had personal security. It would be an impossibility for them to come up with money without virtually--that eliminates that. Also the fact that there was a quick sale kept that company operating. The new owners are doing a good job of it, whereas if there had been a wait of six or eight months, they would have lost employees and machinery.

Mr. Sargent: You say a "quick sale." That is a term I do not know about. That is a new one.

Mr. Chairman: Are you finished, Jack?

Mr. J. M. Johnston: Yes.

Mr. Sargent: What do you mean by a quick sale? Say that again.

Mr. D. J. Johnson: I believe Mr. Johnson referred to the fact that we moved in fairly quickly, got new owners in immediately and kept the business going.

Mr. Sargent: Oh, I see.

Mr. D. J. Johnson: This has happened often. I see it in particular in the resort and hotel business. A hotel will go bankrupt. A receiver comes in and the guests do not know any different. They just check in at the front desk. We are now dealing with a receiver. Three months later, the ownership changes and the same guests are checked in and the same people are going out for lunch or breakfast or drinking in the bar or whatever. Legally, everything has changed. There is a whole new ownership. I can think of a particular case of a hotel in my home town which had \$1.5 million in debts and suddenly had \$500,000 in debts. And they can now make money.

Mr. D. W. Smith: Do you have a clientele that follows up or picks up the pieces, shall we say? Do you have a lot of people who do this?

Mr. MacMillan: I do not think they are the same people, because not everyone is interested in the same type of business. People find out about it through public advertisement. They find out about our sales through public advertisement. Anyone who is interested is eligible to make a bid on the assets for sale by the receiver.

Mr. Chairman: One guy who would know for sure is the guy who went bankrupt.

Mr. MacMillan: Yes, he would know for sure. I believe Mr. Johnson discovered that. He very seldom has anything left after he has gone bankrupt.

Mr. Chairman: If anyone in Ontario was larcenous--and I know there is no one in Ontario who is larcenous--it would be a very successful way of doing business to get an ODC loan to finance his business, engineer his own bankruptcy and recover his assets at low cost as a percentage of the overall value. Let us suppose that happens. What do you do?

Mr. MacMillan: The potential is there, but Mr. Johnson has covered that. It is extremely rare that the receiver would sell the business back to the original owner.

Mr. Sargent: Why not?

Mr. Chairman: Why not?

Mr. Bossy: Because he has lost everything in the bankruptcy.

Mr. Sargent: There are other guys who did not do a god-damned thing and walk in.

Mr. Bossy: You are talking about planned bankruptcies and you hear of those many times.

Mr. Sargent: That is a good point. You are not as dumb as you look.

Mr. Chairman: You say he has to have assets in order to purchase back those assets at a much reduced rate. How difficult do you think that is to arrange?

Mr. MacKinnon: I should try to deal with that in a general sense, because it comes back to some of the issues we talked about last month. There is no part of our operation or of any lending operation with a foolproof system for preventing abuse of any part of it. Mr. MacMillan could sit here and describe 50 potential scams that, in theory, could be run on us. The fact is--he is sitting there--he generally knows what those scams are. We see quite a few. Those things are fairly well known to us. Each time we administer a loan, it is a custom approach. We look at it; there are people handling it; they know the borrower, the individuals; they know other cases in which he or she may be involved; but there is no system that is foolproof.

Mr. J. M. Johnson: It does not have to be foolproof, but for the short time we have been talking about this, it has seemed to me to be an open invitation.

Mr. Sargent, you and I were wondering what we are going to do after retirement. I am getting a bit of an idea right here.

Interjection: You did not mention personal security.

Mr. D. J. Johnson: I was just going to raise it. When you borrow from us, we usually also ask you to sign a personal guarantee. When your company goes bankrupt and you personally owe us the money, if you want to buy it back, I think the first thing you would have to do is settle up on your personal guarantee for what you or your company owes.

Mr. Chairman: Would you?

Mr. D. J. Johnson: Yes.

Mr. Chairman: You did not say that before.

Mr. D. J. Johnson: I am sorry. We should have raised it.

Mr. Chairman: In other words, a recovery is possible. If the man indicates he wants to purchase those assets at a reduced amount, are you going to require that he honours his initial guarantee?

Mr. D. J. Johnson: His personal guarantee. As one of our security instruments, we often take a personal guarantee. We take a mortgage on the building or the property or we take a chattel mortgage. We might make you sign a negative covenant saying you will not do this or that. We will often also take a personal guarantee, which is a very common practice. Banks do it all the time.

Mr. Sargent: I agree with the chairman. He should have the same option an outsider would have. He should not have to honour his personal guarantee and the new price a stranger can pick it up for. He should have the same option as someone else on the outside who put nothing into the business in the first place. Are you with me on that?

Mr. D. J. Johnson: Yes.

Mr. Chairman: I am with you, Mr. Sargent. I can see that if Gregory Inc. wanted to pull this scam, he could do so very easily. Let us say that we have a connection. Sargent Inc. could pick up those assets and you and I would be in business again.

Mr. Sargent: I am not busy.

Mr. Chairman: We both have larcenous minds; we could do well.

Mr. D. W. Smith: Going back to that chart you had on the blackboard, when you say "accepted accounting practices," are you saying that when there is an economic downturn, and it might happen on the chart quite sharply, the accepted accounting practices allow them to write down so quickly more for psychological reasons? It levels out the thinking of the people. Then when the upturn takes over five years down the road, you may be able to write off more quickly, but the mood of the people is that things are going up so you do not have the same concerns psychologically. Is that the main reason?

Mr. MacKinnon: That is exactly the reason for the federal five-year moving-average rule. It is probably some of the thinking behind the early

accounting of our portfolio, although it is not nearly as important in relation to us because of our size. In relation to the banks, I think that is exactly right. It is designed to maintain confidence in the banking system.

Mr. D. W. Smith: I had that feeling, but I did not know whether that was right.

Mr. MacKinnon: This concludes our response to your specific questions from last time on loan losses.

Mr. Sargent: Mr. MacKinnon, how does your total operation in this field stack up with a parallel corporation in New York or California, for example, in industrial support or whatever?

Mr. MacKinnon: I do not know how it would look in relation to American state organizations of a similar scale, if indeed they exist. In relation to other Canadian provinces, first, I think we are by far the largest. Second, they all differ in what they do. For example, the British Columbia one is very heavy on real estate. It does a great deal of real estate development. We manage our industrial parks all right, but that is not the prime product, as it is in British Columbia.

Mr. Sargent: You are people-concerned.

Mr. D. J. Johnson: Yes.

Mr. MacKinnon: Yes.

Mr. Sargent: How about jobs?

Mr. MacKinnon: Our primary job is to create jobs. Sometimes we happen to do that by industrial parks, but that is not our major product. In British Columbia it is. Because of the difference in products, it is very hard to compare them, but in Canada you would have to say our distinguishing features would be, first, our size. Second is the fact we do it at a surplus and I do not believe--I stand to be corrected--anyone else generates cash from this kind of activity the way we do.

11:30

Mr. Sargent: You have no participation in the new Japanese Suzuki-General Motors plant?

Mr. MacKinnon: We do not have a direct participation, but we are usually the people behind the scenes who advise the government about the details of those deals. Again I think there is a page or so in the presentation prepared for new members of the committee. We generally provide the government much of its advice about major industrial deals with which it gets involved, such as GM and Suzuki.

Mr. D. W. Smith: I want to go to your sheet here of the Ontario Development Corp. I will just use one example to ask the question. It is the Bluewater Splashdown Park Ltd. in Sarnia. In all your examples, you have given the loan amount and the rate of interest. In this case the loan amount was \$750,000 and the rate of interest is zero. That means they got this \$750,000 at no interest over 180 months. Is that what it means?

Mr. J. M. Mitchell: No.

Mr. D. W. Smith: Okay. That is what I want to have explained.

Mr. J. M. Mitchell: That situation is under our tourism redevelopment incentive program. It is probably a guarantee of a bank loan where we guarantee it at 90 per cent. It is a floating rate; therefore we do not know the rate at the time we approve it. It is prime plus one, whatever that is. That is a moving target.

Mr. D. W. Smith: This total project cost somewhere in the neighbourhood of \$800,000 or \$825,000.

Mr. J. M. Mitchell: It could be much more than that. I do not recall the specific numbers. We are a portion perhaps of a package. It could be a \$2-million package, of which we are guaranteeing \$750,000.

Mr. D. W. Smith: I thought you said you guaranteed 90 per cent of the project.

Mr. J. M. Mitchell: Up to \$1 million, but we do deals in excess of \$1 million as a total funding package of which we are guaranteeing only a portion.

Mr. D. W. Smith: From listening to some of the comments earlier, I gather you guaranteed this company to the tune of \$750,000. As the chairman has said, if they wanted to plan it--I think it would be fraud before it was all over--they could let this company go bankrupt and the government would be on the hook for \$750,000 or whatever was left of assets, whatever it could get out of it.

Mr. J. M. Mitchell: We take security. We demand from them an equity investment which is subordinated to all other lenders. They have that at risk. It is not just a case of 100 per cent financing of a project without their having something at risk. As well, we take security against that.

Mr. D. W. Smith: You are risking quite a bit in that project though, or at least the government is risking quite a bit in that project. Three quarters of a million bucks is a lot of money.

Mr. J. M. Mitchell: It depends on what the total assets are worth. I do not have that figure at hand.

Mr. D. W. Smith: It would help the committee to know the total cost of the projects we are dealing with, to give us some idea of the degree to which we are involved.

Mr. J. M. Mitchell: The total capital investment?

Mr. D. W. Smith: Yes. It might help to have one more line in your charts. I just picked on that one because it is new--I think it started last year--and it is in our area.

Mr. MacKinnon: Mr. Chairman, I would like to make one observation Mr. Johnson instructed me to make earlier. In a case where there is a project in a member's constituency, a project in which he or she has a real personal interest--not a personal financial interest, of course, but a personal interest--we would be delighted to talk about individual cases.

Sometimes I think we can be more forthcoming about individual cases than

we are about a great long list of cases. In other words, as Mr. Sargent mentioned, I am happy, as are my colleagues, to sit down and discuss some cases with a member who is interested, in a forum that is quite private, that does not involve any sort of form of disclosure on paper and so forth. One observation I would make is that if any members of the committee, or indeed of the Legislature generally, wish to pursue the details of a particular case with us, we are available. We are happy to do that.

Where we have problems sometimes is in producing full details of the cases on paper, in lists. For example, the full cost of a project to which we lend money may be something our customer does not want to be known for competitive reasons. Are we entitled by the very fact that we lend him money to make available a larger set of information about his business and how it operates? That is the kind of question we get into and we would get into it in each and every case if we provided that additional column. I guess the other question, on how much is supplied to him by other lenders, also falls into that category.

Mr. Bossy: I have one question. They are probably ball-park figures. In your portfolio, as far as we see the lending there to industrial-commercial or whatever you pick up off this chart, what would this be in comparison to contract financing through the government? In other words, if you are loaning out \$1 billion here--because you have that separated.

Mr. MacKinnon: I see. You mean, in terms of particular projects, what proportion of our financing of the total--

Mr. Bossy: Of government projects.

Mr. MacKinnon: Oh. It is fair to say we lend to companies, businesses. We are not lending to other agencies or any other parts of the government in most cases.

Mr. Bossy: The others you finance through other government agencies are not identified on this list.

Mr. MacKinnon: I see. They are identified and the funds are voted through the estimates of the particular ministries. Your question is how large this is in relation to that total.

Mr. Bossy: Right

Mr. MacKinnon: I think I can give you the answer. In 1985-86, our direct lending in our own name was about \$37 million, in direct term and incentive lending. In the same year, our lending for other agencies was \$15.7 million.

Mr. Bossy: Two to one.

Mr. MacKinnon: Yes. That is direct funding. In guarantees, we guaranteed in our own name \$13.5 million in 1985-86 and we provided \$28.1 million in guarantees for other agencies. I think those are the figures.

Mr. Sargent: Is that for things such as Deerhurst Inn, tourism?

Mr. MacKinnon: Yes, tourism projects and projects for other ministries as well. I should say the description of the details of the whole business is in that presentation. I think you will find the figures tell you

pretty well what our major project lines are and the dollar values associated with each.

Mr. J. M. Johnson: I would like to take the opposite approach to that Mr. Smith just took. Instead of being concerned you are being too liberal, I like to think you are being too conservative. I want to give you credit for many industries established in my riding because of your involvement. You were very cautious in approaching them and certainly did not speculate with taxpayers' money. It was mentioned that jobs are not one of the criteria, yet on your list here you have "Additional Employment 1st Year" and "Additional Employment 5th Year." I think at one time jobs were one of the most important criteria, were they not?

Mr. D. J. Johnson: I am sorry. I did not make myself clear in answering a question a while ago. Jobs are crucially important to us. We do not have a set dollar amount we will give per job. That is the only point we are making.

Mr. J. M. Johnson: That is a good point to clarify.

Mr. Sargent: Stan Randall had a figure of \$25,000 a job when he was there.

Mr. J. M. Johnson: Jobs are extremely important, are they not?

Mr. D. J. Johnson: Absolutely.

Mr. MacKinnon: Yes, they are.

11:40

Mr. J. M. Johnson: It is my understanding too that in some of the industries you have dealt with--for example, in this one you have four jobs in the first year and 11 at the end--if a firm does not follow through with its job creation, then it pays a penalty, does it not?

Mr. MacKinnon: We do not do deals such as that any more. At one time, there were government programs--I believe the employment development fund program may have been one--that did have that kind of clause in them. Our lending does not, for the reason Mr. Johnson mentioned. We do not normally--in fact, we do not ever--say we have a set figure of how much we will lend in relation to how many jobs are created, for a lot of very good reasons.

First of all, there is imprecision about how many jobs will be created in most businesses. Second, we are in the business also to create investment and other aspects associated with successful enterprise. Jobs are not everything. They are a substantial part of the problem, but we are trying to generate incomes as well. We are trying to generate investment. We are trying to get companies going. While there may not be direct employment generation of huge proportions in most companies themselves, they have spinoff effects on other companies where the employment creation may be. We are trying to do all those things as well.

Mr. J. M. Mitchell: I think too that Kaye MacMillan's shop annually follows with our borrowers relative to the job levels. If I am not mistaken, we are tracking ahead of forecasts, are we not, relative to the companies' forecasts? Is that not so?

Mr. J. M. Johnson: Import replacement would be another factor.

Mr. J. M. Mitchell: Import replacement and export potential. The economic benefits to the area, to the province--

Mr. R. C. Mitchell: To get back to the point raised by Mr. Smith, the example he raised where some company was getting three quarters of a million dollars and a zero was shown beside it, you mentioned that was the amount of a guarantee you had made on the basis of a bank loan, I believe you said. I would be concerned if we started getting the additional information that Mr. Smith suggested we might have.

I am interested in what you are doing and what your guarantees are. By adding all of those other figures in what a given lending institution is providing in addition to yours and what the capital cost is, we could get ourselves so confused by that. Our concern should be whether we are assisting small business through the development corporations and, in fact, ensuring that the moneys that we guarantee or put out are protected. That is what we are after. I am not sure those other lending institutions would necessarily want all that information provided to us either. You would have to ask them first and they might be hesitant about that.

Mr. J. M. Mitchell: A calculation I did recently showing that our leverage is roughly 25 per cent of the total financial package may be of value to the committee. That is across the board.

Mr. Sargent: Over the years, you evolve new policies that refine what you are doing. There is an old saying, "If it ain't broke, don't fix it." There are some ideas that change with the times. The chairman and all of us are concerned as to what we can do to make it easier for the economy in our areas to grow. We fight for our local areas.

I know of many cases, as I mentioned before, where a good operation has gone down the tube because it could not cover the bank and somebody moved in and took over the thing for peanuts. Perhaps you could work some way to salvage a person who puts his lifetime into an operation and then goes down the tube. All the assets are built up and somebody can go in and buy it for a song. There should be something such as a second chance. No doubt, it is perhaps not good accounting or business procedures but we are talking about people. Somewhere along the line I think the chairman's idea is a good idea to prevent someone from coming in and getting a good buy when the prime mover is down the tube.

Mr. MacKinnon: We have ways, Mr. Sargent, that would have the same effect, if I might answer that. One thing we will do is what we did recently when we had a case of a group of people come into a company. They put a lot of money into the fixed capital investment. This is not yours, sir, but a parallel case. Upon close examination of the business, it was our judgement that it was not going to go anywhere, for marketing and other reasons. We judged that they had significantly overinvested in terms of the capital plant--

Mr. Sargent: Because the market was not there?

Mr. MacKinnon: The market was not there.

So John Mitchell and his colleagues got involved in this. What they did in that case was they--I do not know the exact state of play in the

transaction, but John knows the one I mean--arranged for discussions to take place between this company and a very much larger company in the same industry, hopefully to effect a purchase.

If that can be done, then the assets get sold and the company can sometimes continue, even as a going operation, as part of the larger operation. So we have informal ways of dealing with that problem. This is one case in point.

Mr. Sargent: Dovetailing.

Mr. MacKinnon: Yes. If they are going to go, it does not necessarily mean a bankruptcy. In this case, it may mean a sale. John, can you continue that story?

Mr. J. M. Mitchell: This is a case where the principals had invested a significant amount of money, had a super plant, but could not penetrate the market. I think their equity injection was something like \$4 million, which gives you an indication of the size of the total investment, because that is strictly their investment.

They had a lot at risk in this particular deal. Their sales, I think, for July and August were something like \$26,000. They had a very difficult time penetrating the market. I am not at liberty to say what the market was, but it was a very difficult time.

We put them in contact with a borrower of ours in a like but established business. This business, likewise, had great difficulty initially, but through nurturing and a lot of dedicated hard work on their part, and understanding, I guess, on ours and other lenders', they finally penetrated the market. Our consultant put the two companies together.

Rather than have a breakup of the assets and perhaps, it was suggested, these assets might have found their way to South America because they were of a size that would not have interested other than a competitor in Ontario and we would lose those jobs, this way we are hopeful we may come to a merger situation where we save both companies.

Mr. Sargent: That is performance. That is great.

Mr. J. M. Mitchell: We are hoping it will work out. It is not signed, sealed and delivered, but at least they are talking.

Mr. Sargent: Do you have a special division for things like that?

Mr. J. M. Mitchell: No. I attribute this initiative to our consultant, who was supportive of this company. He was supportive in trying to help them, but he had no basis for helping them. There was no market.

Mr. Sargent: That is what it is all about. That is great.

Mr. J. M. Mitchell: He took the initiative. He has been with the corporation for a number of years. He had established the contacts and, as a result, got the two parties talking.

Mr. Sargent: That is a hell of a good pattern. If we could make that part of every dissolution or something, it makes that an option.

Mr. J. M. Mitchell: Well, we try this. The problem one runs into, I think, and Kaye is more versed in this than I am, is that they want 100 per cent. As I have said many times over the years, it is better to have 50 per cent of something than 100 per cent of nothing.

Mr. Sargent: Thank you very much. That is great.

Mr. MacKinnon: This was a case where the system worked pretty well. The person who alerted us to this company and its problem was the MPP for the area. It was he who first of all developed concern for the company, which was not then one of our borrowers. He alerted us and he got us to it in time for us to get some manoeuvring room.

Quite often, what is really important in these situations if we are to achieve those kinds of solutions is time. If we do not have time, then we are out of luck.

Mr. Sargent: Is there any limit on the money the government makes available to you? How much is that?

Mr. MacKinnon: Regrettably, there is.

Mr. J. M. Mitchell: Our commitment budget for all corporations' direct funding is \$36 million annually. More important, our cash budget is \$27.6 million. That is the amount of cash we can disperse against commitments annually.

11:50

Mr. MacKinnon: Perhaps if I can clarify that a bit, that is for the amount of money that the Legislature votes. In addition, we have an export support fund, which generates \$35 million worth of loans annually itself. They are not shown in the estimates you are faced with every year, because we just rotate them into the fund which is outside the budgetary process.

Mr. Sargent: General accounts.

Mr. MacKinnon: In effect, in our own name, even though our commitment level, as John reports it, is exactly right in terms of the blue book over all, we are spending roughly \$80 million. We are lending roughly \$80 million.

Mr. Sargent: The figures are in the presentation.

Mr. MacKinnon: Our total volume of business of all kinds, including business for other government departments and for major industrial projects in which we are senior advisers, if you add all that up we are doing something in the order--

Mr. Sargent: Could you use more?

Mr. D. J. Johnson: Of course.

Mr. MacKinnon: Are you offering us more?

Mr. Sargent: You have got four votes here.

Mr. Chairman: Thank you, Eddie. I have a couple of questions before we are finished. If someone defaults on a loan and the thing is finished, does he have an opportunity to have a second loan?

Mr. J.-M. Mitchell: An opportunity for a second loan?

Mr. Chairman: If he wishes to apply for an Ontario Development Corporation loan in the future.

Mr. J. M. Mitchell: If he has historically been in arrears?

Mr. Chairman: Historically in arrears, and you have finally written it off.

Mr. J.-M. Mitchell: Generally, I would say no. We would look at it very carefully, depending on whether he made restitution. We have them come to us where they are in arrears on an existing loan, but the loan for which they are applying must be made current before we will consider any additional assistance.

Mr. Chairman: That is a prerequisite. They must do that. In other words, they must settle up their own accounts.

Mr. J.-M. Mitchell: That is it.

Mr. Chairman: Okay.

Mr. D. J. Johnson: Just a minute. I would like to interject to get at what I sense your question was. I think you were talking about a total failure, the company closed down and the entrepreneur started a new company.

Mr. Chairman: Yes.

Mr. D. J. Johnson: I think he would be treated as any other applicant except that we had some experience with the person as far as his management ability is concerned. We knew a little more about him because we had watched him manage one other business.

If he closed down or failed because of some reason other than just mismanagement, then I would say yes, reapply. I think that is the thrust of your question.

Mr. J. M. Mitchell: We have one on the books now where I believe we have written it off. A new company has been established and has asked us for additional assistance. Negotiations are under way to recover what was written off under the old company. I think this case was originally approved in 1973; so it shows recoveries can be made in such cases after the write-off.

Mr. Chairman: I was just curious if you could tell me what kind of person would go to the trough. As I view ODC, it is a method by which financing can be achieved that is not normally available by other sources. But surely there should be some limitations on the number of times a person can come to that same trough if his experience has not been good.

Mr. D. M. Johnson: That is right.

Mr. Chairman: Is that a fair statement?

Mr. J. M. Mitchell: Absolutely.

Mr. D. M. Johnson: I would say it is fair.

Mr. Chairman: There are two things I will certainly encourage the committee to recommend in its report. One is the accounting procedures, which of course you have seen as very enlightening, the last one.

It seems to me only fair to the taxpayers of Ontario that such accounting should also be shown in your annual report, not only the accounting procedures you used in the past, where this whole question started, but the clarification, where the actual losses relative to the overall loaning policy, or the loaning history of your organization should be shown.

I think it should be available to those people who are dealing with the estimates process in the Legislature and to the general public, which pays the freight. I guess you cannot comment on the fact that the Treasurer absorbs your losses. That is part of the system. We cannot do much about that.

The other thing I see in the little bit of fooling around we have done this morning is the opportunity for, I suppose you could call it, legal fraud, which is probably strong language, but in the instance I used the possibility is there for people to take advantage of your generosity.

Mr. MacKinnon: They would have to deal with Mr. MacMillan. The opportunities are always there, but there are very substantial safeguards as well.

Mr. Chairman: I recognize that you cannot cover all the bases, but it seems so obvious that two, three or five people working together, with somebody else as a partner buying those assets at a reduced rate, could make a career out of ODC loans and write-offs. That could go on for ever.

Mr. MacKinnon: As you are talking, I am thinking about the accountant from the Canadian Imperial Bank of Commerce who succeeded in defrauding the bank of \$10 million, which he gambled away in Atlantic City. You may recall that case of three or four years ago. The problem is that if you try to get the last one per cent of security you can throughout a lending system of any kind, you are going to pay a price in customer service and in other areas.

Mr. Sargent: Give that Bank of Commerce guy a job here.

Mr. J. M. Mitchell: Following through on that scenario, he starts up in business again with the same assets. Chances are they would not have funds available to finance totally the business, not only the assets but the operating line of credit and so forth. I suggest that with his track record he may well have difficulty in approaching other lenders and arranging the necessary financing, outside of what he has in his own pocket to invest and outside of ODC.

Mr. D. W. Smith: Can I ask a supplementary? I may agree with some of the things you are saying, but I think the opportunity is always there for somebody to beat, shall we say, the system. Is it still the law that if you owe \$1,000, you can legally declare bankruptcy? Do you have to owe more than that now to proceed with a bankruptcy?

Mr. D. J. Johnson: I do not know.

Mr. MacMillan: I do not know. Are you speaking of personal bankruptcy or corporate bankruptcy?

Mr. D. W. Smith: Any type of a bankruptcy, I guess; personally too, I suppose. At least \$1,000 does not seem like a lot of money; if you are in business, it is even less. I thought there was a law that said if anyone--I suppose a business as well--owes \$1,000, it can declare bankruptcy. To me it is too lenient. Is this right?

Mr. MacMillan: My understanding is that any company or any person who cannot attend to his obligations can declare bankruptcy. I have never heard of any specific figure, but if you cannot pay your debts as arranged, you can declare bankruptcy.

Mr. D. W. Smith: You cannot just do it at will, shall we say? I am sure a lot of people or most people can owe \$1,000. I had always heard that figure and I just want to know.

Mr. MacMillan: This is covered by a federal act. You have to go through a procedure. I think there are safeguards in the federal act to prevent people from going into bankruptcy frivolously.

Mr. Chairman: I think your question is supplementary to mine; so I still have the floor before I lose it to Mr. Johnson and Mr. Bossy. Again, I am no accountant, but my understanding is that if your liabilities exceed your assets, then you can go, whether it is \$1 or \$1,000.

Mr. MacMillan: I think it goes back to the statement. If your liabilities still exceed your assets, but if you have made arrangements to pay off your liabilities over time, my understanding of the issue is you can pay your debts as you make arrangements with your creditors.

12:00

Mr. Chairman: Okay. I am not going to mention any names here, but I know of an instance where there was an ODC loan--two companies had ODC loans. One of them paid the loans off at an accelerated rate and the other defaulted. There was some question about the ethics of the one that defaulted. The assets were put up for bid and the company that paid its loan off in accelerated fashion had nothing to do with the original company. It made a bid on the assets. Also, the person who went bankrupt or was responsible for the bankruptcy under somewhat questionable circumstances also made a bid. Both bids were being considered.

It seems to me that the person who went out of business under questionable circumstances, defaulting on an ODC loan, should not even be considered as a purchaser for the assets of that company. I may be wrong. Maybe, as you say, bankruptcy sanitizes.

Mr. MacKinnon: That is the theory.

Mr. Chairman: That may be the theory, but as a taxpayer or as a member of the provincial parliament, I am not sure I can buy that. We can forgive all we want, but surely when there is some suspicion of questionable practices that result in a loss of taxpayers' money through ODC and the same gentleman is allowed to make a bid on assets of the very company he was responsible for getting into trouble--

Mr. MacMillan: There are a couple of issues here. One is that I think we are suing because ODC has a position with the company that it is carrying the action with respect to receivership. There could be other creditors who are carrying the action, such as banks or other institutions. Second, any receiver conducting a receivership has to do it for the benefit of all creditors. If an existing owner makes a bid that is higher than anyone else's, the receiver is hard pressed not to accept it. If he does not, he could be jeopardizing all classes of creditors, secured and unsecured. This is an important issue as far as a receiver conducting his receivership sale goes.

Mr. Chairman: Does that not take us back to square one? It is possible for a person to manipulate the system like this. It is very possible if he comes in with a slightly higher bid.

Mr. MacMillan: Yes. You have to look at each case in its circumstances: how much the bid is and what is the level of creditors. If the money is not sufficient, you could have a situation where, if he were acting for us, we may decline to accept the receiver because we are not satisfied with his management.

Mr. Chairman: You could, but do you? That is what I want to know.

Mr. MacMillan: Yes we do, but this situation arises only rarely. Of the hundreds of receiverships we have had, there have been only six or 10 cases of the original owner coming back to us. It does not happen often. I think you are assuming it happens frequently, but it does not.

Mr. Chairman: I am not assuming it happens frequently; I hope it does not. I am saying that even if it happens once a year, some effort should be made to try to protect ODC against that sort of thing.

Mr. MacMillan: We have a situation right now where this is happening. The owner came back to us with a higher bid and we have declined it.

Mr. Chairman: We may be talking about the same one.

Mr. MacMillan: One of the problems is that he could not arrange his finances. He came in with a high bid he did not have the money to pay for. Somebody with cash came in with a lower bid and we have accepted it.

Mr. Chairman: Does it have something to do with oil? Yes? We are talking about the same one. I was delighted to hear the other bidder got it. Had he not, I would have been questioning further, believe me.

Mr. MacMillan: There was a high concern about the management situation. This is where that aspect comes into it.

Mr. Chairman: Was I fairly accurate in my description of it earlier?

Mr. MacMillan: Yes, you were fairly accurate.

Mr. Sargent: I move we adjourn.

Mr. Chairman: Mr. Johnson, did you have a question?

Mr. J. M. Johnson: The researchers prepared some material on ODC and one paragraph states that the corporations also provide a counselling service that helps small business with the development of business plans, marketing

and promotion costs and related small-business problems. An average of 3,000 small businessmen a year receive advice from the corporations' staff. In my instance in Wellington county, is that out of Kitchener?

Mr. J. M. Mitchell: Yes.

Mr. J.-M. Johnson: Is there any promotional material on it that we could have?

Mr. MacKinnon: Yes, there is, and we will be delighted to provide it to you. We are currently revising much of our promotional material. We have an interim booklet that describes the programs. It will be replaced some time over the next two or three months, but we can provide you with the interim booklet and the later replacements.

Mr. J.-M. Johnson: When these 3,000 businessmen receive counselling service, is that through the representative from, in my instance, the Kitchener office?

Mr. J.-M. Mitchell: Yes.

Mr. J.-M. Johnson: You have two industrial parks?

Mr. J.-M. Mitchell: Yes.

Mr. J.-M. Johnson: Are they in Exeter and Cobourg?

Mr. J. M. Mitchell: Yes.

Mr. J.-M. Johnson: There are 521 small municipalities in my riding and many of them want to set up industrial parks. Do you have any advice on how they should do this, or does this fall on industry?

Mr. MacKinnon: We would be glad to provide that kind of advice. It would be informal. If the municipal economic director or some equivalent official wants to contact us, we would probably put him in touch with the manager of one of our parks. We are proud of those parks. They are profitable; they operate well. The person who is currently the acting director of the industrial parks branch would be delighted to provide his advice informally to anybody contemplating opening one up.

Mr. J.-M. Johnson: Would it make sense for some of the smaller municipalities?

Mr. MacKinnon: It may or may not; it depends on their conditions.

Mr. J.-M. Johnson: However, you could give them that advice.

Mr. MacKinnon: I think we could help.

Mr. J. M. Mitchell: There is a group within the Ministry of Industry, Trade and Technology that is very knowledgeable in the area of industrial parks. Jack Delaney is the manager. He has years of background and was instrumental in assisting in the administration of the industrial parks program when we had such a program.

Mr. J. M. Johnson: I have worked with Mr. Delaney and he is excellent.

Mr. J. M. Mitchell: There are also our parks people for any advice.

Mr. J. M. Johnson: Sometimes industry will approach a municipality and seek its advice, but many of the smaller municipalities do not have the expertise to do much to help.

Mr. MacKinnon: Mr. Delaney can clearly do that.

Mr. Bossy: Knowing we are a branch-plant nation, looking at that whole list, do you have any figures on what percentage is wholly-owned Canadian companies?

Mr. J. M. Mitchell: We have that information. I do not know that I can cite a percentage, but the vast majority is Canadian-owned.

Mr. MacKinnon: It would be 90-plus per cent.

Mr. Bossy: Is it that high? That is interesting. Would we not be more vulnerable in the cases of failures in trying to recover moneys from companies that establish here as branch plants that we might have financed? Have you found that a problem?

Mr. J. M. Mitchell: Mr. MacMillan is in a better position to answer. I think not. If they are closing out the plant, they are often selling it to employees. We often look at propositions of that nature: A US company is closing its Ontario branch plant, the employees want to take it over, and we look at assisting them in that regard. We do not have any more difficulty collecting money if it is foreign-owned.

Mr. MacMillan: No, absolutely not.

Mr. Bossy: I was wondering about those figures. We have a tremendous list here of companies to identify what percentage is Canadian-owned. That should be a better security for our lending.

12:10

Aside from this, do you have a barometer, someone or some organization, setting the guideline for the economic changes we are going through? We have seen higher in 1980, down in 1981-82-83 and back up again. Are there definite criteria used to tighten the screws as far as lending goes because of economic conditions?

If we have the ups and downs in the automotive sector, and there must be a change of attitude in lending during those down times and a loosening again in up times, it must be part of a very difficult decision. There must be changes in the corporation's lending policies.

Mr. J. M. Mitchell: I would agree that during the recession of the early 1980s, our emphasis shifted considerably because the conventional lenders were retrenching. They were afraid because of recessionary times; they were pulling back on operating lines of credit. We had businesses struggling to remain alive and they were approaching us to assist them through this hiatus, if you will, until the economy got back on track. So our activity increased during the recession because the private sector was retrenching.

Mr. Bossy: Would there normally be some directive of government to try to get more funding available to the corporation during that time to pick up the slack?

Mr. J.-M. Mitchell: I mentioned a shift. Generally in a recession you do not see the same level of capital projects. They are not in an expansion mode; they are in a survival mode. So the moneys one would look forward to for the further expansion are requested to maintain rather than expand. So it is a shift, and we were able to manage through that period.

Mr. Chairman: I think we have just about run out of time again. I thank you very much for coming back and I hope we have not been too pesky or zesty or whatever.

Mr. MacKinnon: Quite the contrary, sir.

Mr. Chairman: I thank you very much. You have satisfied a lot of the concerns we had; not all of them, but almost all of them.

Mr. D. J. Johnson: If I could just make a closing comment very quickly, Mr. Gregory, not being a civil servant but just being a citizen, not being an elected member, there are two things. The corporation and the senior staff would be very willing to accept any request from any member of the Legislature on any specific case in which you have an interest. I will give you that information privately. I think you are certainly entitled to that. We have always followed a policy of co-operating as best we can.

I would like to make another quick comment. It is probably not the place, but I would like to make it. As a citizen and as an appointee sitting on this board and having known a lot of these people, I think you should be aware as elected representatives that you have among the senior group a very fine group of civil servants who have singlehandedly, without direction of government in a lot of specific cases--and I am dealing with a lot of the issues you people are raising here today--juggled balls and kept companies going and kept employment going, and I think all of us in Ontario should be proud of them.

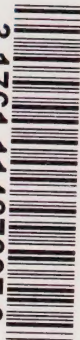
Mr. Chairman: As part of the government that organized the thing in the first place, I could hardly dispute those statements. We hope your future is as secure. Thank you.

Thank you. Before we break, we have nominations for the groups we are investigating in the future and I have recommendations from the Liberal members: Ontario Housing Corp., Ontario Northland Railway, Agricultural Council of Ontario and the Liquor Control Board of Ontario.

The two remaining choices from the Progressive Conservative members are the Pesticides Advisory Committee and the Ontario Waste Management Corp. That works out reasonably well. Do we agree? Agreed. Thank you.

The committee adjourned at 12:15 p.m.

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